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Special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development

Provisional summary record of the 4th meeting

Held at Headquarters, New York, on Thursday, 18 March 2009, at 10 a.m.

President: Mr. Hamidon Ali ..... (Malaysia)

Contents

Special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development

Opening of the meeting

Statements by representatives of major institutional stakeholders on the overall theme, "Building on Monterrey and Doha: Achieving the internationally agreed development goals, including the Millennium Development Goals"

Interactive discussion

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The meeting was called to order at 10.10 a.m.

Special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development (E/2010/11)

Opening of the meeting

1. **The President** recalled that in the Doha Declaration on Financing for Development and the outcome document of the United Nations Conference on the World Financial and Economic Crisis and its Impact on Development, States had called on the Economic and Social Council to work towards a strengthened and more effective multi-stakeholder intergovernmental process to carry out the financing for development follow-up. In its resolution 2009/30 of 31 July 2009 on a strengthened and more effective intergovernmental inclusive process to carry out the financing for development follow-up, the Council had recommended that a longer, more effective and interactive special high-level spring meeting of the Council should be held, that financing for development should be given more prominence in the work of the annual substantive session of the Council, that the General Assembly should give more prominence to its annual agenda item entitled "Follow-up to and implementation of the outcome of the 2002 International Conference on Financing for Development and the 2008 Review Conference" and that multi-stakeholder consultations, including with civil society and the private sector, should be held.

2. He drew attention to the note by the Secretary-General entitled "Building on Monterrey and Doha: towards achieving the internationally agreed development goals, including the Millennium Development Goals" (E/2010/11), and particularly the questions at the end of each chapter; that document had provided the theme of the meeting and contained substantive background information for the Council's discussions. The general support for the decision to focus on substantive and operational aspects of the work of the Council, the Bretton Woods institutions, the World Trade Organization (WTO) and the United Nations Conference on Trade and Development (UNCTAD) showed that the participants in the meeting shared the same broad aspirations. He hoped that the event would promote closer relations among the organizations and institutions concerned and would make a difference to the people who were in urgent need of their collective help.

3. The Deputy Secretary-General said that the 2010 high-level plenary meeting of the General Assembly on the Millennium Development Goals (the "MDG Summit") and the High-Level Dialogue of the General Assembly on Financing for Development, to be held on 23 and 24 March 2010, would provide crucial inputs for a concrete, action-oriented plan on achievement of the MDGs by the target date of 2015.

4. The report of the Secretary-General entitled "Keeping the promise: a forward-looking review to promote an agreed action agenda to achieve the Millennium Development Goals by 2015" (A/64/665) pointed out that progress towards the MDGs had been uneven, both across goals and across regions. While the food crisis and the global financial and economic crisis had compounded the challenge, the world possessed the necessary knowledge and resources. The previous decade had shown that the combination of sound national development strategies, investment in human capital and increased international support could lead to remarkable progress. The current meeting offered an important opportunity to generate greater momentum by focusing first and foremost on the needs of the poorest countries.

5. Multiple crises, natural disasters and the challenges posed by climate change had pushed many nations into emergency situations not of their making. Those countries needed immediate, coordinated and comprehensive support in order to help them follow a sustainable path of recovery, rehabilitation and long-term development. The terrible toll of the recent earthquake in Haiti was a painful reminder that disaster risk reduction remained essential for achieving the MDGs in vulnerable countries. Targeted interventions for the poorest, such as access to vaccines and medicine, free school meals for children and agricultural support, had powerful multiplier effects.

6. Those measures would go farthest if accompanied by long-term national development strategies, international support measures and systemic changes. Such action, in turn, required implementation of the global commitments enshrined in the Monterrey Consensus and the Doha Declaration on Financing for Development. The international community had recognized that developing countries had the primary responsibility for their own development. Indeed, many

developing countries, including those with special needs, had continued to implement economic reforms through sound macroeconomic policies, improved governance and increased public expenditures, especially on infrastructure. However, inequality, social exclusion and lack of participation continued to hamper national development efforts. The Monterrey Consensus and the Doha Declaration had therefore reaffirmed the need for women's empowerment and gender equality.

7. Promotion of gender-responsive public management of resources and budgeting, as well as increasing the voice of women at all levels of decision-making, must remain high on the agenda. At the same time, donors must increase their efforts to fulfil their official development assistance (ODA) commitments. Aid flows must provide budget support to developing countries in order to give them sufficient policy space to invest in education, health, infrastructure and capacity-building, and new and innovative sources of development financing should be explored and scaled up.

8. Developing countries had been hit hard by the decline in world trade resulting from the financial and economic crisis; public revenues of commodity exporters had suffered particularly from price volatility and depressed demand. Such developments underscored the importance of international trade in financing development and the urgency of completing the Doha Round of multilateral trade negotiations in 2010. The Round must deliver on its development objectives, including effective market access for the agricultural products and exports of developing countries, elimination of all export subsidies and substantial reductions in trade-distorting domestic support. The Doha Declaration also called for greater provision of grants and concessional loans, given the imperative of ensuring debt sustainability and reaching development goals. Efforts to develop an equitable and orderly international debt workout mechanism should be expedited in order to prevent future crises. The crisis had also led to an intensification of efforts to reform the international financial system and architecture.

9. Those efforts should be well financed and internationally coordinated and should help the world move towards a more equitable, stable and development-oriented international financial system. They should also build on recent steps to fully include developing and transition countries in international economic decision-making and norm-setting.

Statements by representatives of major institutional stakeholders on the overall theme, "Building on Monterrey and Doha: Achieving the internationally agreed development goals, including the Millennium Development Goals"

10. **Mr. Feyder** (President, Trade and Development Board, United Nations Conference on Trade and Development) said that the international community must draw the necessary lessons from the current financial and economic, social, food and environmental crises and formulate responses based on the history of economic and social development. UNCTAD was preparing for the September 2010 MDG Summit and for the Fourth United Nations Conference on the Least Developed Countries, to be held in Istanbul in 2011. In recent months, it had held preparatory meetings on developing countries' debt, South-South and triangular cooperation for agricultural and food security in developing countries, the main challenges facing the least developed countries and the financing of productive capacity; an UNCTAD Global Commodities Forum would be held in Geneva on 22 and 23 March 2010. Initial conclusions would be submitted to the Executive Session of the UNCTAD Trade and Development Board in June 2010.

11. A key message that had emerged from those meetings related to the role of the State in development. Public policies should not be limited to countering the consequences of economic crises, as was currently the case in developed countries; the State should also play an active role in development by promoting the formation of fixed capital, the emergence of economic networks and the development of productive capacity. Industrial policies could support private businesses by channelling investment towards economically promising and socially desirable activities, as had been done in several Asian countries. External financing and debt reduction for poor countries should not be subject to conditions that restricted the State's capacity to promote development; however, the State must respect the basic rules of good governance: participation, justice, decency, responsibility, transparency and efficiency.

12. The United Nations strategy for achieving the MDGs must recognize that unless productive capacity in developing countries was increased and jobs were

created in order to generate income for people and the State and to sustain improvement in education, health and poverty indexes, only the symptoms, not the root causes, of poverty would be addressed. The effort to develop productive capacity must include agriculture, which had been neglected in recent years. Three quarters of the world's poorest people, who numbered over one billion, were smallholders, landless farmers and rural workers and the food crop deficit was reaching alarming proportions. Food-producing agriculture must be boosted and producers must be paid decent prices in order to avoid poverty and rural exodus. The focus should be on small farms, which had a large growth potential and were best able to respond to the challenges of climate change. Once again, the experiences of Asian countries deserved attention.

13. The development of productive capacity required financing and a favourable macroeconomic and trade environment. Developed countries should honour their commitments regarding ODA so that the poorest countries could import the necessary capital goods. While the entry of productive financial capital should be encouraged, developing countries must be able to mobilize their internal resources and channel them into productive investment, a process that did not follow automatically from market liberalization. Governments could not control the private sector's investment decisions, but it could influence them considerably through macroeconomic and revenue policies that gave companies the prospect of stable growth in demand. They could also make investment financing less expensive, either by encouraging private financial institutions to grant investment credit at a reduced rate or directly, through public financial institutions.

14. The financial crisis had revealed the existence of large amounts of capital searching for often-speculative gains in an artificial, uncontrolled financial universe that was completely disconnected from the real economy. The challenge for the international community was to channel capital in order to create a framework and mechanisms for restarting a world economy that was fairer and more socially conscious. In its early stages, productive capacity could not face international competition; developing countries required a higher level of special and differential treatment. As regional integration expanded internal markets and enabled economies of scale and specialization, it promoted real investment, the creation of local productive capacity and the development of regional production networks that strengthened South-South trade.

15. The enormous dangers posed by global warming called into question essential elements of current growth and consumption patterns. The solution must be based on international cooperation and on simultaneous respect for the environment and the right to development, which need not be contradictory if developing countries were included in the development of low-carbon-emission goods and services and of "green" technologies.

16. In the wake of the recent earthquake Haiti required special assistance, such as the reduction or cancellation of its external debt. It should also be granted favourable trade conditions so that it could access the markets of developed countries under good conditions and develop its productive capacity, particularly in the areas of agriculture and industry. The international financial aid that Haiti needed should be provided without conditionalities that would curb its development; the Marshall Plan, probably the most successful example of external aid in modern history for all parties involved, had not posed any conditions that limited public policy space. In the reconstruction of Haiti and elsewhere, lessons must also be learned from development experiences that had succeeded through pragmatic public policies far from the Washington Consensus.

17. **Mr. Dimian** (Deputy Minister of Finance of Egypt and Deputy Chair, International Monetary and Financial Committee) said that the financial crisis had sent the international community a message: the size and influence of the current global structural imbalances had placed severe pressure on the global economic architecture, and particularly on poorer countries. The international price volatility that had preceded the crisis had been a warning sign, but few had heeded it. Prudential regulations were behind the curve; there was a need for more empowered, effective, responsive, even-handed and candid supranational bodies. On the positive side, the crisis had led to unprecedented coordination among countries and institutions; they had aligned their policies, resources and vision of a more stable economic architecture. Proper exit from the non-conventional fiscal and monetary measures taken in response to the crisis and from the imbalances that had preceded it were needed.

18. The Group of Twenty and the Group of Twenty-Four had agreed that the International Monetary Fund (IMF) had a key role to play in that process. The International Monetary and Financial Committee (IMFC) was promoting a constructive agenda for renovating IMF, reviewing its mandate, increasing its outreach and ensuring its capacity to promote macrofinancial stability and address systemic risks. In October 2009, IMFC had issued a communiqué that called on the Fund to improve its governance structure, empower its surveillance apparatus and further develop its financing toolkit.

19. Under-represented economies must be given a greater voice while safeguarding the representation of the poorest countries. The Fund's entire governance structure, including its Board, staff, management and accountability mechanisms and IMFC, must be reviewed. Bilateral and multilateral surveillance must be broadened in order to allow for better IMF macrofinancial and systemic risk management functions and risks must be measured so that a risk map could be constructed. Special attention should be paid to country groups that posed the highest systemic risk to the stability of the global monetary and financial architectures; the Fund's Group of Twenty mutual assessment process could serve as a pilot in that regard. More comprehensive, timely and detailed data were needed so that IMF could play its proper role under surveillance.

20. With respect to the Fund's financing toolkit, it was important to build on existing initiatives such as flexible credit lines and high-access precautionary arrangements with a view to better outreach and more flexibility. More innovative financing programmes were needed in order to help States face individual, regional and systemic global risks. The membership should look into the size and composition of the Fund's resources, both permanent and temporary; IMFC had stressed that that should be done not in the context of the current crisis, but from a long-term perspective in order for the Fund to increase its credibility. The October 2009 communiqué provided for specific actions such as building on the Fund's central role in surveillance, helping Fund members develop comprehensive, orderly crisis exit strategies, meeting the agreed target of January 2011 for completing the fourteenth general review of quotas, implementing a more flexible framework for the IMF Financial Sector Assessment Programme (FSAP) and reviewing the Fund's mandate.

21. There was no doubt that the crisis had set back progress towards achievement of the MDGs; it had had an impact on basic education and health programmes and on efforts to close infrastructure gaps, lower unemployment rates and increase foreign direct investment (FDI) and capital flows. But the Goals could not be achieved solely through the use of emergency assistance tools such as development assistance. The MDGs rightly addressed both fiscal, trade and price imbalances (including asset price bubbles and fluctuations in international commodity prices) and capital and investment imbalances, which concerned not only the developing countries but the entire global architecture. IMF had a key role to play in dealing with all those problems.

22. Lastly, consideration should be given to the imbalance between the benefits that the developed world derived from the resources of the less developed world and the extent to which the developed world's endowments and know-how were benefiting the less developed world.

23. **Mr. Kodera** (Executive Secretary, Development Committee) said that work on the 2010 Global Monitoring Report on progress towards achievement of the MDGs, prepared by the World Bank and IMF, suggested that many developing countries had entered the current crisis in relatively strong economic conditions that largely reflected the policy reforms of recent years, and had thus been able to maintain social spending levels in order to mitigate the impact of the crisis on vulnerable groups. However, on the basis of past crises, it seemed likely that the crisis would have a lasting negative impact on health, education, employment and poverty. Strong external funding and further efficiency gains in government spending and service delivery would be needed if the developing countries were to ensure fiscal sustainability while maintaining essential investments in social sectors and infrastructure.

24. The Bretton Woods institutions had made exceptional efforts to intensify their support for member countries, and the speed and scale of their response had been unprecedented. IMF had increased its resources and made changes to its lending policies that should increase its concessional lending to up to US$ 17 billion through 2014, and the World Bank

Group had provided over US$ 90 billion in support to member countries since July 2008. During the same period, the Fund had provided about US$ 170 billion in new support, including precautionary financing.

25. In its October 2009 communiqué, the Development Committee had outlined a work programme leading up to its spring meeting, to be held on 25 April 2010. That work programme was laid out in a number of papers on which Board discussions were under way, including a paper that presented a strategic post-crisis framework and focused on the Group's comparative advantages and priorities in that regard; a paper on the Group's internal reform agenda, which set out the general parameters for the ongoing reforms designed to make it more effective, efficient and accountable; a discussion paper on World Bank Group voice reform; a report that provided an update on the review of International Bank for Reconstruction and Development (IBRD) and International Finance Corporation (IFC) capital requirements, including discussions of possible contingent approaches; and a paper entitled "Strengthening Governance and Accountability: Review, Results, and Roadmap", which provided an update on the ongoing improvements to the Group's governance and accountability framework. A short paper summarizing the discussions in all those areas was being prepared.

26. The major expansion in lending in response to the crisis was stretching the capital of IBRD, the Bank's main non-concessional lending window, and of IFC, the private-sector-focused arm of the Group. On IBRD capital, significant progress had been made since October 2009. Discussions with shareholders had shown that there was broad agreement on the need for a general capital increase in order to further enhance IBRD financial capacity. There also seemed to be considerable support for using US$ 15 billion, the average sum lent annually by IBRD during the 10 years preceding the current crisis in real terms, as an assumed level of post-crisis lending for purposes of estimating its future capital needs. Efforts were being made to finalize a balanced package that included pricing, budget discipline, release of national currency paid-in capital and selective and general capital increases.

27. Management and shareholders were exploring interest in a possible special capital increase for IFC. However, such an increase would not be sufficient to enhance the Corporation's financial flexibility. A number of member countries had supported the introduction of an innovative instrument along the lines of hybrid capital; that and other options were being explored as part of an overall package designed to strengthen IFC resources.

28. With regard to voice reform, including initiatives aimed at strengthening the representation of developing and transition countries on the Board — an objective established by the Monterrey Consensus — shareholders had stressed the importance of moving towards equitable voting power in the Bank over time through the adoption of a dynamic formula that reflected countries' evolving economic weight and the Bank's development mission. Such a move would generate, in the next shareholding review, a significant increase of at least 3 per cent of voting power for developing and transition countries in addition to the 1.46 per cent increase achieved earlier under the first phase of voice reform. While recognizing that over-represented countries would make a contribution, shareholders had considered it important to protect the voting power of the smallest poor countries and had renewed their commitment to reaching agreement on the matter by the spring 2010 meeting.

29. Since the October 2009 meeting of the Development Committee in Istanbul, discussions with shareholders had made progress in a number of areas: economic weight; recognition of financial contributions, particularly from the International Development Association (IDA); recognition of development contributions; and protection of the voting power of the smallest poor countries. Discussion of which contributions should be recognized and how that recognition should be structured was ongoing. Shareholders had also supported the holding of a periodic shareholding review every five years, and an increase in IFC basic votes and a special capital increase were being considered. There would be a substantial package for shareholders: while each shareholder had had to make compromises, each of them stood to gain as well. As the spring meeting would be held in only five weeks, he urged shareholders to step up their efforts to meet the goal of agreement on wide-ranging World Bank Group reforms by 25 April.

30. **Mr. Priyadarshi** (Director, Development Division, World Trade Organization), speaking on behalf of the Director-General of the World Trade Organization (WTO), said that the international

community had reached a critical juncture: having successfully faced a number of crises, it must now look at the remaining challenges and coordinate its efforts. The mandates of the respective organizations were more severely tested in times of crisis, something that reinforced the need for a unified approach and a results-oriented strategy.

31. The 2009 financial crisis had been the worst in living memory. Gross domestic product (GDP) growth had fallen by some 2.2 per cent, the first such fall since the Second World War. The International Labour Organization (ILO) had estimated that over 200 million people were unemployed, the highest level ever recorded, and that an additional 64 million people were living below the poverty line. The volume of world trade had seen an unprecedented decline of around 12 per cent in 2009, primarily because of the significant reduction in aggregate demand across all major world economies; the decrease in trade finance had also played a part.

32. The very nature of the global economic and financial government structure had been put to the test. The various responses to the crisis had had some success; financial market stabilization, global economic stimulus and the absence of significant protectionist measures had dampened the crisis and a global economic recovery appeared to be starting. Trade volumes were picking up; the World Bank predicted world trade growth of 4.3 per cent in 2010 and 6.2 per cent in 2011.

33. However, the recovery was still in its infancy. Many worried that the positive impact of national stimulus packages was transitory and were concerned about the budget deficits incurred by many Governments. The fragile state of the economic revival required continued vigilance, in particular because there had been no immediate trickle-down effects on the labour market. All too often in the past, prolonged periods of job losses and unemployment had prompted restrictive policymaking.

34. The multilateral trading system had passed the stress test of 2009 and the rules and commitments of WTO had insured against a cascade of protectionist measures. The 8 March *2010 Report on G-8 Trade and Investment Measures*, issued jointly by WTO, UNCTAD and the Organization for Economic Cooperation and Development (OECD), found that there had been no significant intensification of trade or investment restriction in the Group of Twenty countries since September 2009. Thus the multilateral trading system had proved both its value and its solidity against unbridled protectionism.

35. Economies needed new and sustainable engines of growth that enriched economies in the short and long term. Free and fair trade provided exactly such an opportunity. It was imperative to complete the Doha Round as soon as possible as it was the safest and most sustainable way to ensure stability, predictability and growth. The multilateral trading system was the only functional insurance policy against protectionism and must be further strengthened.

36. The conclusion of the Round would not only provide new market opportunities by reducing trade barriers and disciplining domestic subsidies; it would also reduce the fixed cost of trading by, inter alia, reducing customs procedures and red tape in negotiations on trade facilitation. By securing binding commitments from Member States, the Doha Development Agenda would provide more certainty in trading arrangements, thereby encouraging economic growth and job creation. It would also be essential to the achievement of Goal 8 of the MDGs.

37. A successful conclusion of the Round should be complemented by significant and targeted Aid for Trade, an initiative that had gained relevance as a result of the crisis. Aid for Trade sought to address the supply side and trade-related infrastructure constraints that inhibited the ability of developing countries to reap the benefits of the trading system. It was intended to help those countries increase their exports of goods and services, integrate them into the multilateral trading system and allow them to benefit from the liberalized trade and market access opportunities created by the Doha Round. It would enhance growth prospects and reduce poverty in developing countries and had already proved capable of adapting quickly to their needs. For example, it had rapidly been recognized during the crisis that the absence of global liquidity directly hurt exporters in developing countries. Support for trade finance through the provision of access to cheap, reliable credit had become one of the priorities of Aid for Trade.

38. Together with other multilateral agencies, WTO had been successful in mobilizing resources for Aid for Trade. Those resources had seen an annual growth of some 10 per cent, which had not come at the expense

of any other assistance. In 2007, global Aid for Trade flows had exceeded US$ 25 billion and when non-concessional lending for trade was added, that figure nearly doubled. However, the international community must ensure the continuation of those flows in future years and must show that Aid for Trade was effective, necessary and supportive of efforts to stimulate economic growth, foster development and alleviate poverty.

39. An early, development-oriented conclusion to the Doha Round, together with effective and enhanced Aid for Trade, would help ensure growth in global trade, prevent protectionist measures, make global rules fairer, create new market access opportunities for developing countries and help them build supply side capacity and trade infrastructure. All of those factors would further the achievement of the MDGs.

Interactive discussion

40. **Ms. Madrazo** (Head, Spanish Agency for International Development Cooperation), speaking on behalf of the European Union, said that substantial progress had been made in achieving the MDGs and, in particular, combating HIV/AIDS, malaria and measles; ensuring universal primary education, promoting gender equality and providing access to safe drinking water. However, as the report of the Secretary-General (A/64/665) pointed out, that progress had been uneven. The European Union looked forward to the MDG Summit as a unique opportunity to take stock; partnership, cooperation and joint responsibility were the key to realizing the MDGs.

41. At the Informal Meeting of Development Ministers, held in La Granja on 17 and 18 February 2010, the Ministers for cooperation and development of the European Union had emphasized that the MDGs were achievable with the right policies, adequate levels and quality of investment and international support. The MDG Summit should highlight the progress achieved, drawing on the lessons learned in order to determine actions for the years 2010 to 2015.

42. ODA had proved to be the most reliable source of funding for developing countries in the context of the global financial crisis. It was therefore important that States should meet their ODA commitments. At the same time, however, such aid would not in itself be enough to achieve the MDGs; the Monterrey Consensus had highlighted the value of exploring other innovative sources of finance. It was important to mobilize domestic resources for development by improving the management of public finances and the soundness and effectiveness of tax and customs systems in developing countries. Those countries must create an enabling business environment in order to attract foreign investment while combating tax evasion. The importance of remittance flows should not be underestimated; the European Union would continue working to facilitate such flows, including by reducing transaction costs.

43. In order to maximize synergies, the European Union encouraged the development of mechanisms designed to enhance policy coherence for development within and between international organizations. Increased aid effectiveness would help ensure that aid reached the poorest populations. It fully supported the steps taken to reform the Council and make it more relevant and efficient. Strengthened cooperation with the Bretton Woods institutions, WTO and UNCTAD was a crucial part of that process.

44. **Mr. Alyemany** (Yemen), speaking on behalf of the Group of 77 and China, said that the full effect of the crisis might remain to be seen, particularly in developing countries. Unemployment and underemployment continued to rise around the world and if the international community failed to contain the effects of the crisis and to address its root causes, the consequences would be unimaginable. In previous crises, the poor had been disproportionately affected; the international financial institutions should therefore be reformed and made more democratic and representative in order to counteract the impact of the crisis, avoid future crises and contribute more effectively to development.

45. The role of the United Nations in international economic and financial affairs should be strengthened, as should its coordinating role in global economic governance. It was important to promote cooperation between the organizations and the international financial institutions, including through an early review of implementation of the cooperation agreement between the United Nations and the Bretton Woods institutions.

46. The governing structures of the Bretton Woods institutions should be reformed in order to ensure the fair and equitable representation of developing countries and their senior management should be

appointed through a transparent, merit-based and credible selection process. Nations of the South must be fully represented in the international financial and economic decision-making process. Consideration should be given to ways of strengthening the role of the United Nations, and particularly of the General Assembly and the Economic and Social Council, in international economic and financial affairs while reviewing its coordination with the Bretton Woods institutions and other relevant international bodies.

47. **Mr. Braga** (Acting Vice President and Corporate Secretary, World Bank) said that although the recovery was proving stronger than expected, there remained huge imbalances across the global economy. Several emerging economies had been in a better position to respond to the crisis as a result of their sound macroeconomic policies, but the crisis had significantly affected the overall poverty alleviation agenda.

48. A major deleveraging was taking place in the private sector at the same time as a significant expansion in public debt; financing needs of OECD economies in 2010 would amount to some US$ 16 trillion, as opposed to some US$ 12 trillion before the crisis. One of the fundamental challenges facing the international community was how to coordinate those processes.

49. **Mr. Acharya** (Observer for Nepal), speaking on behalf of the Group of Least Developed Countries, said that the international community must deliver on its commitments to ensure multisourced, predictable financing for development. Although individual countries bore the responsibility for their own development, an enabling international environment was also needed. The least developed countries faced several obstacles to the mobilization of domestic resources, including poverty. In order to confront those and other challenges, ODA commitments must be met. The least developed countries needed greater access to markets; tariffs and other barriers and distortions should be reduced. It was therefore important that the Doha Round should be concluded rapidly in an ambitious and equitable manner and that additional and substantial Aid for Trade should be made available. International financial institutions should ensure that the facilities established in the wake of economic crises were inclusive and well financed. In order to protect development and social goals, including employment, there should be fewer conditionalities.

50. There was a need for risk mitigation measures to encourage foreign direct investment (FDI). The debt burden on poor countries should be eased through sustainable debt management programmes and temporary debt moratoriums in order to direct resources to development activities. Peace, development and security were mutually reinforcing and must be supported simultaneously with targeted programmes. The least developed countries were particularly vulnerable as a result of their special constraints, including such natural disasters as the January 2010 earthquake in Haiti. Additional funding and legally binding measures were necessary in order to mitigate the effects of climate change.

51. The developing countries should be given a greater voice and more effective participation in international economic and financial decision-making processes. The international financial institutions should be rebalanced in order to better identify vulnerabilities, address problems with greater flexibility, and grant poor countries equal access to resources.

52. He supported the preparation by UNCTAD of the Least Developed Countries Report 2010. It had been reported that additional funds in the amount of between US$ 35 billion and US$ 50 billion would be needed just to sustain pre-crisis social programmes. He welcomed the report that Aid for Trade had increased by 10 per cent but wished to see disaggregated data in that connection.

53. **Mr. Li** Baodong (China) said that although the world economy was beginning to improve, developing countries still faced a huge challenge in reaching the MDGs on schedule. Member States had reached a consensus that effective action must be taken to accelerate that process.

54. At the Pittsburgh Partnership Summit held in September 2009, the leaders of the Group of Twenty had pledged to increase the voting power and quota share of developing countries in the World Bank and IMF by at least 3 per cent and 5 per cent, respectively. Those institutions had endorsed the decision and he hoped that it would be implemented.

55. Since the outbreak of the financial crisis, world trade had plummeted, and protectionism had increased; such measures affected developing countries the most. China supported the liberalization and facilitation of global trade and opposed all forms of trade

protectionism. The Doha Round should be concluded in 2010 with a comprehensive and balanced outcome, and WTO should increase its efforts to promote aid for trade and help developing countries strengthen their capacities.

56. The MDG Summit would provide an opportunity for Member States, and in particular the developing countries, to discuss their difficulties in achieving the Goals and reach consensus on future action while pressing for the developed countries to fulfil their responsibilities and commitments. His delegation welcomed the new format of the annual meeting with the Bretton Woods institutions, which would help the United Nations fulfil its function and ensure that the interests of Member States were effectively safeguarded.

57. **Mr. Galvez** (Chile), speaking on behalf of the Rio Group, said that he welcomed the comment made by the representative of UNCTAD regarding the need to raise the productive capacity of developing countries and create the greatest possible number of decent jobs. The United Nations played a central role in global economic governance and in ensuring the coordination, coherence and legitimacy of efforts to promote development.

58. **Mr. Rovirosa** (Observer for Mexico) said that the international scope and comprehensiveness of the Monterrey Consensus facilitated a broad-based approach to development issues that include the adoption of domestic policies to promote investment, social development and economic growth and the establishment of an international enabling environment for trade and foreign investment. ODA and responsible, sustainable debt reduction should be used to meet the financial needs of countries of the South. The financing-for-development agenda encouraged cooperation on the basis of consensus on shared values and interests.

59. That outlook could be particularly useful in reaching agreement on measures taken with a view to achievement of the internationally agreed development goals, and particularly the MDGs as a focus of international efforts. The MDG Summit should mark a watershed in the progress towards the Goals in all countries.

60. **Mr. Kleib** (Observer for Indonesia) recalled that there had been a number of crises since the Monterrey Consensus. Although the global economy was regaining stability, the financing and investments necessary for progress towards the MDGs had yet to materialize, especially for developing countries. Greater efforts to increase the liquidity of development financing were needed.

61. The mobilization of resources to finance development required faster reform of the global financial and economic system and a strengthening of its architecture so that it could meet new challenges and demands and better predict large-scale instability. In light of the need to strengthen the development platform of the Bretton Woods institutions, his delegation supported the efforts of the General Assembly to respond to the world financial and economic crisis and the Council's follow-up to the outcome of the United Nations Conference on the World Financial and Economic Crisis and Its Impact on Development, as well as the work of the Group of Twenty.

62. Efforts to build a stronger global partnership on financing for development could not be delayed on the pretext of the current economic crisis, and the Doha Development Round must produce an enabling international trade environment. Owing to the importance of national action in the mobilization of resources for development, countries must continue to implement the necessary macroeconomic, fiscal and development policies and refrain from protectionism, although developing countries must maintain their policy space.

63. **Ms. Dunlop** (Brazil) said that the Council should play a greater role in economic matters pursuant to Article 63 of the Charter of the United Nations while respecting the mandates and structures of IMF, the World Bank, WTO and UNCTAD. The Council's broad agenda made it a unique forum for discussion and decision-making and its new meeting format presented an opportunity that must not be squandered in view of the urgent need for better coordination, coherence and consistency in international monetary, financial and trade policy matters.

64. The results of the meeting should be presented by the President of the Council at the April 2010 meeting of the Bretton Woods institutions so that he could convey the Council's deliberations and consolidate dialogue with those institutions.

65. **Mr. McNee** (Canada) said that Canada was upholding its commitment to support achievement of the MDGs, which was a shared responsibility and a

global priority that required a collaborative approach, continuous efforts and sustained partnerships. Canada had made lasting contributions in the areas of child health, education, food security and support for agricultural development. However, the international community must also use best practices and lessons learned to close existing gaps.

66. Achievement of the Goals depended not only on aid volume, but on its effective use, country ownership, good governance and analysis of the impact of other non-ODA flows, such as trade, foreign investment, tourism and remittances.

67. Maternal and under-5 health care were areas where demonstrable results could be achieved; during its presidency of the Group of Eight, Canada would support developing countries' efforts to reduce the shocking and avoidable mortality rates in those areas. It would seek to build on the existing international momentum and to catalyse political and financial commitment in preparation for the September 2010 MDG Summit.

68. **Mr. Sammis** (United States of America) said that the dialogue among the Council, the Bretton Woods institutions, WTO and UNCTAD would help coordinate global efforts to achieve the MDGs. In addition, new ways to help countries with special needs would be found. Economic growth was returning and the United States wanted to ensure that it was inclusive and sustainable while protecting the world's poorest and most vulnerable.

69. Despite the challenges that the world faced, the international financial and trade institutions had fostered job creation, kept children in school, spurred private sector growth, made lending more flexible, supported the international financial system, helped track the effects of the economic downturn on trade and investment and formulated ideas for crisis emergence.

70. His Government's pledges under President Obama's Global Health and Global Hunger and Food Security Initiatives would make a major contribution to the achievement of important MDG milestones, specifically in the areas of infectious disease and the root causes of hunger. Under the Global Health Initiative, it had committed an unprecedented US$ 63 million over a six-year period; a further US$ 3.5 billion would tackle the causes of hunger through agricultural and economic development and improved nutrition.

71. **Mr. Valero Briceño** (Bolivarian Republic of Venezuela) said that the United Nations must play a leading role in the effort to reform the global financial and economic architecture; he urged the Organization to review its agreements with the obsolete Bretton Woods institutions with a view to greater representation for countries of the South.

72. His delegation had stressed that the international financial and economic system must introduce tight regulation of the international financial and economic system and strengthen the regional and subregional financial architecture, following the examples offered by regional institutions such as the bank of the Bolivarian Alliance for the Peoples of Our America.

73. The Bretton Woods institutions had enabled a few countries to maintain their monopoly on credit, impinging on the sovereignty of the nations of the South and hindering their development prospects. Their voting systems and operations must be reformed in order to give genuine representation to the developing countries. The current global capitalism crisis had a devastating impact on the peoples of the world, erasing the progress made in prior years and undermining the countries' prospects for achieving the MDGs, especially in the areas of poverty and social inclusion.

74. It was urgent to strengthen social investment policies and to take steps to maintain domestic production and decent jobs. Despite the crisis, his Government had increased social spending, which now accounted for half of the national budget.

75. **Mr. Alahraf** (Observer for the Libyan Arab Jamahiriya) said that, as the representative of UNCTAD had said, the developing countries must facilitate capital investment and provide an enabling environment for development. While FDI and other financial flows were important if developing countries were to achieve the MDGs, they should also encourage technology transfers and opportunities for employment. However, foreign investment concentrated on productive industries rather than on infrastructures or improvements in social services owing to their fear of risk, especially in the wake of the financial and economic crises. He asked how that risk could be shared and how national and regional financial institutions could facilitate such investment and ensure its success.

76. **Mr. Kvasov** (Dean of the Board of Directors, World Bank) supported the representative of Brazil's suggestion that the President of the Council should attend the April 2010 meeting of the Bretton Woods institutions.

77. He fully agreed with the representative of UNCTAD that there must be a focus on productive capacities, especially in developing countries, if they were to achieve the MDGs. To that end, there must be wide-scale job creation, not only in industry but also in agriculture. Indeed, capacity development was the logical next step in the evolution of the development paradigm followed by the World Bank.

78. In reply to the statement made by the representative of Yemen on behalf of the Group of 77 and China, he said that the World Bank was undergoing serious reforms, including merit-based selection, transparency in appointments, increased representation of developing and transitional countries in senior management posts, open selection of the President of the Bank and increased representation of sub-Saharan African countries.

79. **Mr. Edrees** (Egypt) reaffirmed the link between financing for development and the MDGs but pointed out that financing for development was a macroeconomic framework of tools, whereas the Goals covered a wide range of development issues.

80. The economic and financial crises posed real challenges and offered opportunities for recovery, but their potential could only be realized if the correct path was followed. Though not responsible for those crises, the developing world was bearing the brunt of them and the imbalances and fragilities of international economic governance must be addressed in order for developing economies to recover, with the United Nations playing an important role in the necessary reforms.

81. There was no African representation in international financial institutions, which remained undemocratic; reform was also needed in all other norm-setting and code-formulating bodies, where Africa had also been marginalized.

82. Restoration and reaffirmation of the development mandate of the Doha Round was crucial to the success of developing countries' efforts to achieve the internationally agreed development goals.

83. **Mr. Sumi** (Japan) said that the importance of good public financial management of tax and customs systems must not be forgotten when examining the gap between rich and poor, which existed not only between countries but also within them. He asked for ideas on how the Asian experience could be transplanted to other areas and noted the importance of South-South cooperation, which should extend beyond solidarity to include cooperative instruction and the sharing of examples.

84. **Mr. St. Aimee** (Saint Lucia), speaking on behalf of the Caribbean Community, said that small island States needed better and more reliable data from the international financial institutions; on the basis of the information currently available, it appeared that they had yet to experience economic recovery from the crisis.

85. The small Caribbean islands were classified as middle-income countries; some of them had real wealth, but even those with populations living only slightly above the poverty line had managed to ensure a decent standard of living for their people through good policies and frugal spending. He hoped that WTO, IMF and the World Bank would reconsider the situation of those States and provide new and innovative programmes to help them implement the proposals made by the representative of UNCTAD, particularly with regard to the transformation of agricultural products into saleable goods, and achieve the MDGs.

86. **Ms. Moorehead** (Executive Director, World Bank) said that there should be continued dialogue between the Council and the World Bank so that all actors could work together to reduce poverty.

87. She stressed the enormous significance of the reform agenda being undertaken at the World Bank, which would take time and require cooperation and compromise but had already resulted in greater effectiveness and accountability to shareholders and clients. She hoped that the President of the Council would, as had been suggested, attend the spring 2010 meeting of the Bank and play a greater role in its operations.

88. **The President** said that the Council welcomed the reforms undertaken by the World Bank and the suggestion that the ongoing dialogue between the Council and the Bank should be expanded.

89. **Ms. Brandt** (Executive Director, World Bank) said that she represented eight Nordic and Baltic countries on the Executive Board of the World Bank. Work must continue at many levels in order to improve coordination and cooperation between the United Nations and the Bretton Woods institutions. Since coherence began in the capitals of Member States, delegations must maintain close contact with their Governments. Meetings in New York and Washington would promote increased understanding of different roles and responsibilities and field offices should ensure good cooperation between representatives of the United Nations and of the World Bank, particularly in developing countries and difficult environments, in order to establish accountability and good governance and to provide assistance in post-conflict countries.

90. While there had been many good suggestions for supporting joint efforts to achieve the MDGs, one sensitive but important issue that had not been discussed was governance; weak governance led to challenges and impediments in developing countries and must be addressed.

91. **Mr. Rosenthal** (Guatemala) said that although the aim of the meeting was to look at the middle and long term, he was pleased to note that the participants had also spoken about the short term, when referring to the crisis, because its impact on the achievement of the Goals was enormous. While greater emphasis had been put on analysis than on possible solutions, there had been broad agreement on the need for conclusion of the Doha Round. The speakers had laid the foundation for serious engagement, dialogue and coordinated action on a common agenda.

92. **Mr. Dance** (Observer for the NGO Committee on Financing for Development, accredited through Passonists International) said he was pleased that the annual meeting with the Bretton Woods institutions had been expanded from one to two days.

93. Organization for Economic Cooperation and Development (OECD) indicators showed that ODA from large donor countries would not meet the Gleneagles Group of Eight target for 2010. At the Pittsburgh Partnership Summit, held on 24 and 25 September 2009, the Group of Twenty had asked IMF to provide a report on the "range of options countries have adopted or are considering as to how the financial sector could make a fair and substantial contribution toward paying for any burdens associated with government interventions to repair the banking system", which might include a financial transaction tax. He wondered how the Fund planned to address the speculation that had caused financial markets to undermine the priorities of the agriculture and industry sectors.

94. He supported the Deputy Secretary-General's remarks on the need for an effective, fair and transparent debt workout mechanism since many poor countries risked entering another phase of the debt crisis; he would welcome comments on that issue from the panellists.

95. Regarding quota shares in IMF for developing countries, the participants in the Group of Twenty Summit had committed to the allocation of 5 per cent of aggregate shares and 3 per cent of World Bank shares to developing countries. However, many developing countries were calling for the allocation of at least 7 and 6 per cent of those shares, respectively. He would like to hear the views of the panellists.

96. He would also appreciate it if the representative of WTO would describe the measures that WTO was taking in order to end agricultural subsidies, which were particularly damaging to many countries of the South that were dealing with stresses created by the financial crisis.

97. **Ms. Kantrow** (Observer for the International Chamber of Commerce) said that during the past two years, the business sector had been actively involved in a series of United Nations meetings and conferences that had identified the crucial components of a global partnership for development and its interlinked priorities, which reflected a global consensus on the challenges to be faced and set out a road map for cooperative action by Governments, businesses and other sectors of society. Providing an enabling environment for enterprises of all sizes and sectors to develop, creating jobs and pursuing technological innovation and cooperation, coupled with sound governance and policies designed to reduce barriers to international trade and FDI, were the best way to eliminate poverty and achieve the MDGs. Since healthy and developing societies created new business opportunities and new markets, most businesses viewed the Goals as integral to their interests and to global citizenship. They shared the general concern at the rise of protectionist pressures as a result of the financial crisis and strongly supported the Doha

Development Agenda. It was incumbent on the developing as well as the developed world to resist protectionism.

98. It was important to recognize the United Nations as the global venue for coordination among all stakeholders, including the Bretton Woods institutions and WTO, in order to ensure the consistency and coherence of the array of international agendas related to financing for development in support of achieving the Goals. Mobilizing the private sector was a critical component of the effort to strengthen development financing. In order to capture the benefits of increased private sector investment, Governments and development agencies needed to work much more directly with the private sector in identifying investment impediments and remedies, enhancing government capacity to create business-enabling environments, and developing small and medium-sized businesses.

99. **Ms. Fiskaa** (Norway) called for a special effort to achieve the health-related MDGs; her delegation was particularly concerned at the lack of progress in reducing maternal mortality rates.

100. Good governance and a transparent international framework with policy space for all countries were imperative in securing democratic participation in decision-making. Formal democracy and proper macroeconomic management must be supplemented by more specific measures: a strong, transparent and well-functioning State with the will to impose taxes in order to pay for a sound public sector; an ambitious policy not only for entrepreneurship, but for fair distribution and equal opportunities for all; decent work and the protection of workers' rights; and the explicit goal of gender equality.

101. Strong measures were needed in order to address the problems of illegitimate and unpayable debt, illicit capital flows and capital flight from developing countries; her delegation therefore welcomed the debate on a new debt resolution mechanism. The international financial system that had produced the recent crisis was not characterized by transparency; her delegation supported efforts to curtail harmful practices in tax havens, increase the exchange of tax information and require financial institutions to know their customers. Coordination at all levels, including the Council's annual meeting with the Bretton Woods institutions, should be encouraged.

102. **Mr. Fayolle** (Joint Executive Director, International Monetary Fund and World Bank), replying to the Observer for the NGO Committee on Financing for Development, said that the requested IMF report on innovative sources of financing was under preparation. An interim report, which would include mention of a possible tax on financial transactions, would be discussed at the April 2010 ministerial meeting of the Group of Twenty and transmitted to the heads of State of the Group's member countries for consideration at their June 2010 Summit.

103. Since the beginning of the crisis, IMF had made every effort to protect social spending under its programmes with developing countries and had noted that in countries that had benefited from debt relief, social spending was on the rise. The Fund was changing the manner in which it worked with those countries through allocation of an additional special drawing rights (SDR) 10 billion; changes in the Fund's conditionality, including new ways of handling structural reforms in poor countries; and a reform of concessionality requirements that would provide financing to those countries at lower cost. Efforts were also being made to find innovative sources of financing in pursuit of the MDGs.

104. **Mr. Zainal Abidin** (Malaysia) said it had always been assumed that financing for development was linked to investment and production capacity. However, the crisis had showed that that link was not as strong as had been hoped and that the financial sector operated in a world of its own. He wondered whether the efforts to improve prudential regulation included restoration of the links between the real economy — investment in productive capacities — and the financial sector. It would also be useful for the Deputy Chair of IMFC to expand on his remarks on the imbalance between the benefits that the developing and the developed countries derived from the interaction between them.

105. **Mr. Rahman** (Bangladesh) recalled that at the Sixth Ministerial Conference of WTO, held in Hong Kong from 13 to 18 December 2005, it had been decided to provide duty-free and quota-free market access for at least 97 per cent of products originating from least developed countries by 2008 or no later than the start of the implementation period. In practice, however, most imports fell within the remaining 3 per cent because the developed countries could decide

arbitrarily which products to include in the percentage that benefited from improved access.

106. **Mr. Dimian** (Deputy Chair, International Monetary and Financial Committee), replying to the representative of Japan, said it was true that development plans and efforts to achieve the MDGs could not be built on aid or other discretionary transfers; domestic resource mobilization was essential. However, most developing countries had tight budgets and lacked the fiscal space to expand their development spending. The solution was to change fiscal policies in the medium and long term in order to focus not on closing gaps, but on promoting growth. Economies must generate residuals that could be taxed, making them less vulnerable to domestic or external crises and other factors. Such a process would be neither easy nor quick; it would require changing the entire tax system and the mind-set of institutions.

107. Concerning the imbalance between the mutual benefits derived by the developing and the developed countries, he pointed to the unfair prices paid to developing countries for commodities and to the high cost of importing finished products and technologies to those countries.

108. **Mr. Feyder** (President, Trade and Development Board, United Nations Conference on Trade and Development) said that in September 2010, the international community would focus on the progress made and the remaining gaps in achievement of the MDGs. However, he wondered if the current strategy was sufficiently solid and ambitious to achieve the Goals by 2015 and whether it should not be modified to take productive capacity more fully into account. UNCTAD had been working on the three health-related Goals and while there had been some progress, it was clear that in order for health systems to succeed, they must be sustainable and that the necessary financing must come from increased productive capacity.

109. The lessons of the food crisis should be taken into account at the September meeting. More ODA and FDI should be allocated to the agricultural sector, which had been too long neglected, and industry and other productive sectors must also be included with a view to a sustainable, long-term reduction of dependence on ODA. The productive capacity deficit was too great to be addressed through ODA alone; innovative sources of financing were needed and the State must take a more active role in resource mobilization for the productive sector. Cooperation between the United Nations and the Bretton Woods institutions could play an important role, but he was not certain that that cooperation was sufficiently flexible to give States a role.

110. In reply to the representative of Japan, he said that in recent years, a number of Asian countries, including China, Japan, the Republic of Korea and Viet Nam, had conducted interesting development programmes in which the Government had played a key role. After the Second World War, many Asian States had introduced agricultural reforms that could serve as a model for other countries. It was important to give small producers predictable work — access to land — which did not necessarily require the distribution of land. Most farms in those regions were small, and the post-war Green Revolution had shown that larger farms were not a prerequisite for high productivity levels. However, it should be borne in mind that the Governments of those Asian countries, as well as those of third countries, had played a major role in the success of the reforms. That experience should be taken into account in updating development strategies.

111. Lastly, on the debt issues that had been raised by delegations, he explained that UNCTAD was compiling good management practices in preparation for the upcoming United Nations conference on restrictive business practices (the Sixth United Nations Conference to Review all Aspects of the Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices), to be held from 8 to 12 November 2010 in Geneva.

112. **Mr. Kodera** (Executive Secretary, Development Committee) said that he welcomed the increased interaction between the World Bank and IMF.

113. The five areas of reform currently being addressed by the World Bank Group were unprecedented. Any general capital increase would be the first of its kind in the past 20 years. At the October 2009 meeting of the Development Committee, participants had agreed that it was important to give developing countries a greater voice, to move towards equitable voting in the World Bank over time and to hold a meeting to review the Bank's shareholding structure in five years. The Bank was working to achieve a significant quota increase of at least 3 per cent, and he was certain that a substantial package

would emerge from the spring meeting. The cooperation of all shareholders would, however, be required.

114. **Mr. Priyadarshi** (Director, Development Division, World Trade Organization) said that he welcomed delegations' comments on the urgent need to conclude the Doha Round and to preserve its development dimension; the Group of Twenty, in its most recent meeting, and the participants in the Seventh Ministerial Conference of WTO, held in Geneva from 30 November to 2 December 2009, had sent a similar message.

115. The Aid for Trade data were disaggregated on the basis of the information that WTO had obtained from, to date, 88 countries. Over the past two years, commitments for Nepal had risen from US$ 1.81 billion to US$ 2.21 billion and WTO would like to work with all the least developed countries to ensure that that trend continued.

116. The elimination of agricultural subsidies was a key issue. Although the Doha Round was not yet concluded, it seemed clear that it would result in a 65 to 75 per cent reduction in distorting subsidies, in keeping with the commitment made when the Round was launched.

117. In reply to the question from the representative of Bangladesh, he said that duty-free, quota-free market access for developing countries was a key issue for WTO and was consistent with Goal 8 of the MDGs. At the Sixth Ministerial Conference of WTO, the members had decided to provide such access for at least 97 per cent of products originating from least developed countries by 2008 or no later than the start of the implementation period. The fact that all but one of the members had met that target was an additional argument for a speedy conclusion to the Round.

118. **Mr. Dimian** (Deputy Chair, International Monetary and Financial Committee), adding to his previous explanation, said that the October 2009 IMF communiqué mentioned "a shift in quota share to dynamic emerging market and developing countries of at least five percent from over-represented countries to under-represented countries". Thus, the 5 per cent figure had been put forward as a threshold, not a ceiling.

The meeting rose at 1.05 p.m.

United Nations E/2010/SR.5

Economic and Social Council

Provisional
24 June 2010

Original: English

Special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development

Provisional summary record of the 15th meeting
Held at Headquarters, New York, on Thursday, 18 March 2010, at 3 p.m.

President: Mr. Hamidon Ali ..... (Malaysia)

Contents

Special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development (*continued*)

Thematic debate of the whole on Theme 1: "Mobilizing domestic and international resources to fund existing and emerging Millennium Development Goal implementation gaps"

(a) *Preview of the joint World Bank/International Monetary Fund publication,* Global Monitoring Report 2010: "Achieving the Millennium Development Goals in the Aftermath of the Global Economic Crisis", *by Mr. Jeffrey Lewis, Senior Advisor and Head, International Policy and Partnership Group, Poverty Reduction and Economic Management Network, World Bank*

(b) *Preview of the* Millennium Development Gap Task Force Report 2010, *by Mr. Robert Vos, Director, Development Policy Analysis Division, Department of Economic and Social Affairs*

Informal interactive dialogue

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The meeting was called to order at 3.05 p.m.

Special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development (*continued*) (E/2010/11)

Thematic debate of the whole on Theme 1: "Mobilizing domestic and international resources to fund existing and emerging Millennium Development Goal implementation gaps"

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1. **Mr. Lewis** (International Policy and Partnership Group, Poverty Reduction and Economic Management Network, World Bank) said that the Global Monitoring Report for 2010 would be finalized following the conclusion of the spring meetings of the World Bank and the International Monetary Fund (IMF), to be held in Washington, D.C., on 24 and 25 April 2010. The 2010 Report contained four chapters that recurred annually and two new chapters, one devoted to lessons learned from past crises and the outlook for the Millennium Development Goals (MDGs), and one devoted to adapting reforms and spending strategies to the less favourable current conditions.

2. The 2010 Report broadly concluded that while the impact of the economic crisis on development indicators in low-income countries was serious, it could have been more so. The policy reforms and structural changes implemented by many developing countries in response to previous economic crises had left them better able to withstand recent events, which, it should be remembered, had been caused not by failures in their domestic policies but by external factors beyond their control. However, in the longer term, the fiscal position, health, education and poverty indicators and human capital situation of those countries were likely to suffer and the still-fragile structural reforms responsible for their relative resilience in the face of the recession could be threatened. Accordingly, there was no room for complacency; all actors must remain committed to action and an adequate flow of resources must be maintained.

3. The Report raised the question of whether the MDG gains prior to the crisis could be preserved. All six regions of the Bank's classification whether measured overall or country by country, had made progress in reducing poverty and improving access to water and to primary education. However, the Goals relating to human development, including in the areas of child and maternal mortality, hunger and nutrition, HIV/AIDS, sanitation and post-primary education, had seen the least progress and were at the highest risk from the global economic crisis.

4. As indicated in the Report, the economic recovery in emerging markets and developing countries had been stronger than expected; a return to pre-crisis levels of output had been nearly achieved. Stock markets had recovered and exchange-rate fluctuations had decreased, but the situation remained volatile. Remittances might increase once more in 2010, but inflows of foreign resources, international development bank financing and foreign direct investment (FDI) remained weak. The Group of Twenty in particular was focusing on the question of when economic stimulus measures could be halted; all countries should pursue sustainability and donors should help countries facing financial constraints by acting on their commitments to increase aid.

5. Examining the lessons learned from past crises for the handling of the current one, the Report indicated that economic downturns had lasting effects on infant mortality, nutrition and school enrolment with girls being more vulnerable than boys. The damage caused by a downturn and the improvement that occurred during an upturn were proportionate to each other: there was no no-cost recovery. Maintaining social sector spending in developing countries influenced their ability to advance the MDGs. African countries in particular seemed to have been better protected from a decline in such spending by the framework provided by their poverty reduction strategy papers. Social safety nets — non-contributory benefit programmes aimed at the most vulnerable — played a critical role in maintaining the momentum of the MDGs. The best course of action was to have those policies in place before a crisis emerged. In fact, many low-income countries had been spurred to establish such arrangements two years previously, during the crisis caused by escalating food prices, and had

consequently been better prepared for the current recession.

6. A striking feature of the economic crisis had been the decline in trade and aid flows to poor countries, which had dropped by over 20 per cent in volume and over 30 per cent in value. Credit for trade diminished during crises because there was less demand for goods and lenders became more risk-averse. The Group of Twenty Summit held in London in April 2009 had aimed to restore liquidity to commerce. However, an obstacle remained in the form of increased protectionism; over 350 restrictive measures had been introduced. The crisis had underlined the importance of trade rules, and therefore the urgency of concluding the Doha Round of trade negotiations. Cross-border matters that were not on the Doha development policy agenda, including climate change and food and energy security, should also be addressed.

7. The global review of Aid for Trade, held in Geneva in July 2009, had shown an increase in trade lending. Despite expansion of the number of donors and the volume of capacity-building and South-South knowledge transfer, progress must be closely monitored as such measures were essential to the recovery of low-income countries. In the case of Africa, the commitment to double official development assistance (ODA) by 2010, made at the 2005 Gleneagles Summit of the Group of Eight, had not been reflected in policy for the region; the volume of programmable, regular and predictable aid had decreased.

8. The scale of the international financial institutions' response to the crisis had been substantial, and IMF had mobilized resources to control its effects. The multilateral development banks, including the World Bank Group, had also increased their activities considerably. However, these institutions' resources had been strained, and care should be taken to ensure that the Bank's role was confined to development promotion and emergency intervention.

9. Looking forward, some thought had been given to possible topics for the 2011 Global Monitoring Report. Possible focuses of attention were poverty; communicable diseases, including malaria and HIV/AIDS; aid effectiveness; and moving beyond the MDGs.

(b) Preview of the Millennium Development Gap Task Force Report 2010, *by Mr. Robert Vos, Director, Development Policy Analysis Division, Department of Economic and Social Affairs*

10. **Mr. Vos** (Director, Development Policy Analysis Division, Department of Economic and Social Affairs) said that the 2010 report of the MDG Gap Task Force would be released immediately before the September 2010 high-level plenary meeting of the General Assembly on the Millennium Development Goals (the "MDG Summit"). The Secretary-General had established the Task Force in 2007 in order to bridge information and knowledge gaps in international partnerships. It consisted of more than 20 agencies, including the United Nations Department of Economic and Social Affairs, the United Nations Development Fund, the World Bank, IMF, the Organisation for Economic Co-operation and Development (OECD) and the World Trade Organization (WTO).

11. In connection with Goal 8 (developing a global partnership for development), the Task Force focused on gaps in delivery (the gap between global commitments and delivery thereon); coverage (the gap between the delivery of aid and the adequate and equitable distribution thereof); and needs (the gap between the aid delivered and developing countries' estimated needs). It monitored progress towards Goal 8 on the basis of the MDG Matrix of Global Commitments, additional indicators to compensate for the difficulty in measuring achievement in some areas of the Goals, and country case studies.

12. In theory, Goal 8 should be the least challenging of all the MDGs. However, progress towards it must be assessed as 2010 was a critical juncture: the target MDG completion date was only 5 years away, the Gleneagles ODA commitments made by the Group of Eight in 2005 were due to expire and the effects of multiple crises were still evident. The Report addressed 5 key issues for achieving Goal 8: increasing aid, increasing trade, improving access to affordable essential medicines and spreading the benefits of new technologies.

13. The United Nations Department of Economic and Social Affairs and the OECD Development Assistance Committee had calculated that ODA for 2010 would fall approximately US$ 27 billion short of the Gleneagles commitments. Very little of that gap had been caused by lower economic growth resulting from

the global economic crisis; most had been caused by failure to meet the commitments made at the Gleneagles Summit. Data indicated that at best, ODA for the current year would reach 0.33 per cent of the gross national income (GNI) of the countries represented in the Development Assistance Committee, far below the 2015 target of 0.7 per cent. The situation for the least developed countries was particularly serious when measured against the ODA commitments contained in the Brussels Programme of Action for the Least Developed Countries. Faced with pressure to achieve more with scarcer resources, donors and recipients should improve the quality and effectiveness of aid, taking into account the Agenda for Action of the High-Level Forum on Aid Effectiveness, held in Accra in September 2008. Efforts should be made to reduce the tying of aid, make it less fragmented and improve its predictability.

14. The global economic crisis had seriously affected developing countries' access to developed country markets at a time when volatile and declining commodity prices were affecting their income. Progress towards the target of providing duty-free and quota-free access for at least 97 per cent of products originating from least developed countries by 2008 or no later than the start of the implementation period, set in December 2005 at the Sixth Ministerial Conference of WTO, had slowed considerably and the gap between the current situation and the target remained wide. Moreover, the relative advantage in duty-free market access for least developed country exports over those of the developing countries was less than 1 per cent. Developed countries had made only modest tariff reductions in recent years; the preferential tariffs on agricultural products, textiles and clothing remained high and had hardly decreased over the past decade. Developed countries' agricultural subsidies remained high. Aid for Trade, however, had increased by 34 per cent in real terms between 2007 and 2008.

15. The enhanced Heavily Indebted Poor Countries (HIPC) debt initiative had provided significant debt relief. However, the economic crisis had increased debt distress, leaving half of the HIPC recipients in a vulnerable position and increasing their risk of relapsing into debt. Moreover, the initiative's focus on the poorest countries left middle-income countries in a very difficult situation. Effort must be focused on developing a comprehensive approach to debt relief, assessing debt sustainability and identifying debt distress.

16. Wide gaps remained in the area of access to medicines and technology. In the case of medicines, many developing countries faced problems with availability and affordability. The 2010 Report would place special emphasis on the effects of the economic crisis on medicine prices and funding for HIV/AIDS programmes. The obstacles to access to essential drugs should be addressed in a comprehensive manner.

17. The worldwide use of information and communication technology had increased in spite of the economic downturn, with mobile telephony expansion very strong in the developing countries. However, there was a wide gap in internet access between developed and developing countries, particularly because of the enormous cost differential when viewed in terms of purchasing power parity. It should be remembered that lack of access to technologies for addressing climate change issues affected progress towards Goal 8 and Goal 7 (ensuring environmental sustainability).

Information interactive dialogue

18. **Mr. Follain** (France) said that in the wake of the financial crisis, progress towards the MDGs would require close cooperation among all stakeholders, and the United Nations had a crucial role to play. The focus on combining sustainable economic growth with social protection, should be maintained; in that regard, he stressed the importance of the Monterrey Consensus. While mobilization of national resources for development remained a priority, international assistance, which should include innovative financing mechanisms, continued to be indispensable. The international community also needed to address the issue of good governance.

19. **Mr. Wittig** (Germany) said that his country had been a reliable partner in the global effort to mobilize resources for development. It remained committed to meeting the ODA target of 0.7 per cent of GNI by 2015 through a combination of budget funds, debt relief and innovative finance mechanisms such as Debt2Health and emissions trading. Mobilizing domestic financial resources for development, which was the first "leading action" of the Monterrey Consensus, required developing countries to promote good governance through administrative and judicial reform,

anti-corruption efforts, strengthening of tax systems, transparency in extractive industries and strengthening of civil society. Good governance should also be promoted in the private sector, whose potential to contribute to development, including pro-poor and green development, needed to be fully exploited. Continuing exchanges between the Bretton Woods institutions and the United Nations development system were crucial to the success of the financing-for-development follow-up process.

20. **Mr. Dib** (Executive Director, World Bank) said that he represented Algeria and six other African and Asian countries on the Executive Board of the World Bank. The Bank had been forced to play the role of lender of last resort for countries confronting the decline in development assistance brought on by the economic crisis, which made it all the more urgent to strengthen the financial bases of the Bank and the other international financial institutions. He doubted that there would be any major changes in the way developed countries delivered development assistance; although there was much talk about innovative financing, action in that area had been piecemeal. A more systematic approach to all aspects of financial assistance was needed; it would be particularly instructive to determine why remittances had been less affected by the financial crisis than other flows.

21. **Mr. Cancela** (Uruguay) said the coming year would offer a unique opportunity to address obstacles to achievement of the MDGs. It was crucial for resources to be predictable, for commitment to be collective and for follow-up mechanisms to be effective. The crises had underscored the structural problems brought on by the absence of an equitable multilateral trading system, obstacles to market access and the need to combine development with environmental sustainability. In order to fulfil its function as an engine of development, the international trading system needed to be fair, open and rules-based. The resurgence of protectionism threatened development everywhere; market access, diversification and broadening of trade relations were essential to the economies of countries like his own, which, despite being classified as a middle-income country, still counted on the commitment of the international community to an international system that fostered development.

22. **Mr. Korneev** (Russian Federation) said that the goal of fulfilling the Organization's potential as the leading forum in which to address development and global efforts to counter the recession required consolidation of the Council's role and closer cooperation with the international financial and trade institutions, particularly in the context of follow-up to the International Conference on Financing for Development, held in Monterrey in 2002, and the Doha Development Agenda.

23. As a reliable development partner aware of the need to provide adequate financing for the MDGs, the Russian Federation was revitalizing its aid programme. International development policy should learn the lessons of the recession, adapt to current circumstances and draw on the Organization's many years of experience. Modernization of World Bank and IMF financing mechanisms for developing countries was a positive step; the poorest countries' access to those facilities should be widened on the basis of careful consideration of their debt positions and the bank should be encouraged to innovate in its provision of assistance to countries suffering the effects of the recession by offering loans in local currency, helping developing countries cope with risks by hedging or spreading them, and improving credit conditions by providing guarantees.

24. The experience of the Russian Federation, especially in 1997 and 1998, had shown currency restrictions to be of little use in a recession as they could not slow the outflow of investments and encouraged the growth of shadow markets. Additional barriers distorted capital movements and ultimately impeded the mobilization of resources for development. The remedy was to establish global regulators in order to ensure transparency in investment flows and safeguard the interests of investors.

25. **Ms. Navarro** (Observer for Cuba) said that she strongly disagreed with the view, expressed in the presentation by the representative of the Department of Economic and Social Affairs, that Goal 8 was the least challenging of the MDGs. The Secretary-General's report entitled "Keeping the promise: a forward-looking review to promote an agreed action agenda to achieve the Millennium Development Goals by 2015" (A/64/665) stated that "the need to accelerate delivery on Millennium Development Goal 8 commitments had reached emergency proportions, rather than simply being a matter of urgency". She also took issue with the reference, in Goal 8, Target 13 of the Goals, to

"countries committed to poverty reduction", which could open up endless debate about which countries did or did not qualify for ODA. Some reports claimed triumphantly that the crisis was over but in fact, the modest recovery seen in some European countries might be attributable to the short-term effect of temporary stimulus packages while the system as a whole continued to be dependent on the speculative bubbles that had precipitated the crisis. Countries could not climb out of poverty through the mobilization of domestic resources alone, and existing international financing mechanisms kept poor countries trapped in a cycle of dependency. It had become clear that the extreme trade liberalization being pushed by neo-liberals was in reality a formula for the unilateral removal of market protections for countries of the South without requiring corresponding steps by the countries of the North.

26. **Mr. Barton** (United States of America) asked the experts to expand on the issue of asymmetry in the impacts of the crisis. It would be interesting to hear which negative impacts had been most damaging, which positive impacts, such as the large increase in bank lending for safety nets, had been the most beneficial, and why MDG delivery gaps were up to twice as large in Africa as on the rest of the world. Limiting the analysis to ODA did not tell the whole story, which included gap-fillers such as private contributions, remittances and technology.

27. **Mr. Braga** (Acting Vice President and Corporate Secretary, World Bank) said that the asymmetry of the impacts of the crisis was indeed striking. In assessing the recovery, the question was not whether the glass was half full or half empty, but who had drunk half the glass and who would pay for it. Collaboration and mutual accountability were indispensable if the international community was to deliver on the MDGs. It was important to continue monitoring ODA pledges and other commitments, such as the Gleneagles Plan of Action on climate change, clean energy and sustainable development, and to improve domestic resource mobilization and governance. One notable success in delivering on the Monterrey Consensus had been the fact that the recent crisis, unlike those of the past, had not resulted in major sovereign debt problems for the lowest-income countries, a fact that could be attributed to the success of the Heavily Indebted Poor Countries (HIPC) debt initiative.

28. **Mr. Acharya** (Observer for Nepal), speaking on behalf of the Group of Least Developed Countries, said that progress towards many of the Goals was lagging behind targets; of particular concern were the areas of hunger, maternal mortality, tuberculosis and malaria. Recent years had seen increased mobilization of domestic resources by the least developed countries, but there continued to be an enormous gap between the available resources and the challenges faced. While maintaining a domestic environment conducive to development was crucial, revenues from exports, tourism and remittances were volatile and achievement of the MDGs would not be possible without scaling up international assistance. The need to provide a social safety net often conflicted with international demands for structural fiscal reform; he shared the scepticism of the Cuban delegation regarding the statement that Goal 8 should be the least challenging of the MDGs.

29. **Ms. Ortiz de Urbina** (Observer for Spain), speaking on behalf of the European Union, reiterated the importance of good governance to the mobilization of domestic resources. In particular, much could be done in the fight against tax evasion, although it would take time to see results. The European Union was committed to meeting its ODA commitments. With regard to gaps in delivery of Goal 8 of the MDGs, he wished to hear more about how studies could incorporate the impact of new actors, in particular the emerging economies that were playing such an important new role in ODA and in South-South cooperation.

30. **Mr. Alyemany** (Observer for Yemen), speaking on behalf of the Group of 77 and China, stressed that delivery on the MDGs was tied to contributions. It was essential for the international community to provide more permanent, stable, predictable, concessional, and conditionality-free financial resources for developing countries. In particular, IMF balance-of-payment loans should not come attached to a policy conditionality that was contradictory and pro-cyclical. Voluntary bilateral contributions were also particularly important to poor and post-conflict countries.

31. **Mr. Gálvez** (Chile), speaking on behalf of the Rio Group, stressed the need for domestic policies aimed at sustainable production and employment and social investment. Space for counter-cyclical policies, which had helped some countries mitigate the effects of the crisis, was needed. The Group was concerned that the resurgence of protectionism, particularly in the

agricultural sector, might hamper the ability of trade and investment to act as engines of development and called for satisfactory completion of the Doha Round. Intra-regional trade was also a useful tool for enhancing efforts to achieve the MDGs. Flows of investment and credit must be made available in a sustained manner; the mobilization of international resources presupposed that international donors would make good on their pledges. The Rio Group stood ready to work with the Secretary-General to convene an informal meeting on innovative sources of development finance in 2010.

32. **Ms. Guerra** (Observer for Colombia), noting that her country would soon host the High-Level Event on South-South Cooperation and Capacity Development, stressed that all countries of the South, regardless of their level of development, could contribute to exploiting the potential of South-South cooperation as a vehicle for progress towards the MDGs.

33. **Ms. Davies** (Australia) said that it was important for international assistance to be targeted effectively through greater predictability, direct contributions to national budgets and sector-wide approaches that reflected national priorities. Her country was scaling up its ODA programme and hoped to achieve a target of 0.5 per cent of gross national income by the year 2015. A successful conclusion to the Doha Round was also essential to achievement of the MDGs.

34. **Mr. Heller** (Observer for Mexico) said that his Government's vigorous efforts had mitigated the effects of the current economic crisis on employment. Although the worst of the crisis appeared to have passed, it was important to resist the temptation to adopt protectionist measures that were politically attractive in the short term but would ultimately undermine the competitiveness and fairness of the global trade system. He called on the negotiating parties to display the political will necessary to a satisfactory conclusion of the Doha Round.

35. While the debt problem should be addressed through cooperation and dialogue, each country should adopt healthy, sustainable debt policies and the solutions found should promote the stability of the financial system as a whole, without hindering access to international financing by countries that had made a major effort to achieve a stable situation.

36. It was important to protect the dignity and the social and labour rights of all migrant workers during the crisis, which had increased their vulnerability, and to facilitate their transfer of remittances to their countries of origins. The fulfilment by donor countries of their ODA pledges and South-South cooperation were important for the achievement of development goals. As host of the sixteenth session of the Conference of the Parties to the United Nations Framework Convention on Climate Change, scheduled for December 2010, his Government was committed to achieving a substantive agreement on climate change and was pleased that the Secretary-General had decided to establish a high-level advisory group on climate change financing to assist developing countries with climate change mitigation and adaptation.

37. **Mr. Ovalles-Santos** (Bolivarian Republic of Venezuela) said that the panellists had been excessively optimistic about the financial crisis; its impact continued to be felt by many States in terms of unemployment, fiscal deficits and debt sustainability. His delegation was concerned that responses to the crisis had focused primarily on the financial sector rather than the real economy. With regard to the mobilization of international resources, it was important that sustainable funds should be made available to developing countries without conditionalities.

38. Financial markets, especially speculative markets, must be effectively regulated and further consideration should be given to a possible levy on international speculative financial transactions. While the impact of the financial crisis on ODA had already been discussed, it would be helpful if the representative of the Department of Economic and Social Affairs could provide more information on how it affected other issues relating to progress towards the MDGs.

39. **Mr. Iziraren** (Morocco) said that the economies of developing countries such as Morocco were suffering just as much from the financial crisis as the developed countries, even though it was the latter that had caused the problem through speculative financial practices. Noting that insufficient action had been taken to eliminate such practices, he asked for more information on the latest developments in the international financial market.

40. **Mr. Von Kleist** (Alternate Executive Director, World Bank) said that economic growth was necessary for the mobilization of domestic and international resources for development. The policy requirements for reviving growth were the same in both developing and

developed countries: stability-oriented macroeconomic policy; appropriate regulation, especially of financial markets; open trade regimes; taxation of citizens according to their capacity to pay; reduction of subsidies and social services not targeted to the poor and vulnerable; and room for the private sector to create jobs and income. The international financial institutions had a role to play in helping all countries devise and implement such policies.

41. **Ms. Barendregt** (Senior Advisor, International Monetary Fund), responding to the question raised by the observer for Yemen, speaking on behalf of the Group of 77 and China, said that Fund-supported programmes included conditionalities in order to ensure that the underlying problems which had caused external imbalances were addressed; that often involved a need for medium-term fiscal sustainability. In the recent crisis, IMF had, in fact, been a frontrunner in promoting counter-cyclical policies and had designed its programmes in such a way as to maintain space for social spending and the protection of vulnerable groups. As a result, it had reduced the number and breadth of its conditionalities in order to focus on policy objectives.

42. **Ms. Stewart** (International Labour Organization) recalled that one of the root causes of poverty was a lack of productive employment. Efforts to achieve the MDGs and to respond to the financial crisis had highlighted the need for better coordination between macroeconomic and employment policies. High productive employment should be seen as a macroeconomic objective, as should low inflation, sustainable public finances and strong growth.

43. A number of policy responses, including the establishment of social safety nets, agricultural development, a focus on small and medium enterprises and the measures set out in the Global Jobs Pact, were already known to be effective in enhancing productive employment. It was therefore critical to ensure that all countries, especially the least developed countries and those middle-income countries that lacked policy space, had the capacity and financing to invest in policy initiatives in order to expand their domestic resources through income growth.

44. With regard to Goal 8 of the MDGs, it was interesting to note that the current crisis had resulted in increased policy coherence and partnership within the United Nations system on ways to build and enhance productive employment. The International Labour Organization (ILO) hoped for a continuation of that trend beyond the end of the crisis and stood ready to develop closer partnerships with other organizations along those lines.

45. **Mr. Priyadarshi** (Director, Development Division, World Trade Organization) said that, while much remained to be done in order to conclude the Doha Round and ensure achievement of its development objectives, progress would be made through a number of small steps. WTO would soon be holding a high-level stocktaking exercise on the Doha Round and would be pleased to provide feedback on the Doha Plan of Action. Aid for Trade was also very important; with the Gleneagles commitments due to expire in 2010, new commitments for the next five years were essential. The international community should use the upcoming Group of Twenty meeting and the September 2010 MDG Summit to indicate its steadfast commitment to Aid for Trade.

46. **Ms. Wahab** (Observer for Indonesia) said that mobilizing adequate domestic and international resources was key to achieving the MDGs. Her country's experience had shown that both a culture of saving and well regulated institutions, were important factors for domestic resource mobilization. FDI and ODA remained central to the economic growth of developing countries and their progress towards the MDGs. In order to overcome the challenges of resource mobilization and achieve the Goals, three issues needed particular attention. First, there was a need for coherence between policy choice and development programmes in order to ensure inclusive growth. Second, good governance and the capacity to create an enabling environment at all levels were needed and would require effective and accountable institutions, systems and processes, as well as the necessary political will. Indonesia's efforts to create such an environment had involved implementation of the Jakarta Commitment on Aid for Development Effectiveness, as outlined in the Paris Declaration on Aid Effectiveness. Lastly, partnerships, particularly public-private partnerships, must be strengthened.

47. **Mr. Zainal Abidin** (Malaysia) pointed out that a failure to meet the MDGs by 2015 would have a long-term impact on developing countries which were also facing demographic transition; since fewer children would become productive adults, society would be unable to benefit from the demographic dividend as its

population aged. Malaysia was not in that situation since it should achieve developed country status by 2020 and its population was expected to reach 38-40 million by 2040.

48. Although economic growth was a necessary condition for achievement of the MDGs, the two issues were often considered in isolation from one another. He wondered whether any studies had shown that a minimum overall growth rate was needed in order to achieve all the Goals.

49. **Mr. Shin** Boonam (Republic of Korea) said that although traditional ODA remained the principal source of financing for development, it was important not to overlook the potential of innovative sources of financing, which were more diversified and successful than had initially been expected. His delegation looked forward to being able to share experiences and identify best practices in that area.

50. While private international capital flows were a vital source of development financing, FDI was concentrated in a small number of mainly middle-income countries. Though governments should make every effort to create an enabling environment to attract such investment, he would also like to know what action the international community could take in order to make capital flows more diversified.

51. Economic recovery must be accompanied by job creation. The current trend of jobless growth was worrying; according to ILO estimates, unemployment had risen by 34 million between 2007 and 2009. He wondered what international efforts had been made with a view to improved access to financing for small and medium-sized enterprises.

52. **Ms. Gallardo Hernández** (Observer for El Salvador) said that the Doha Declaration and the Outcome of the Conference on the World Financial and Economic Crisis and Its Impact on Development provided a framework for evaluating the causes and effects of the converging crises. It was vital for countries to seek both collective and individual responses to the various aspects of the crisis. El Salvador was committed to implementing counter-cyclical and social policies that would also help it achieve the MDGs, with particularly high priority given to health and education. Achieving the Goals should help prevent a recurrence of the vicious cycle of unemployment, weak consumption and falling output that were so detrimental to developing countries. Since the crisis also had a social dimension, it was important to reaffirm commitments to gender equality and the empowerment of women.

53. It would be helpful if the panellists could give further consideration to the impact of international migration on domestic resources. Since El Salvador was highly dependent on remittances from abroad, the reduction in remittance flows as a result of the crisis was a major concern in the context of the MDGs. On the issue of international resources, she would also appreciate more information on the efforts that should be made by middle income countries, which had made some progress in development but were particularly affected by the crisis.

54. She reiterated the importance of combating corruption in order to achieve the MDGs, as mentioned by the Secretary-General in his report (A/64/665), and the importance of trade and investment as drivers of development and economic growth. Lastly, her delegation considered that the Council and the United Nations system as a whole would benefit from the President's participation in the 2010 World Bank-IMF spring meetings.

55. **Mr. Leroy** (Belgium) said that traditionally, donors had been criticized for devoting too much ODA to social sectors and neglecting economic sectors. In the past two years, there had been a shift by many donors towards economic sectors, particularly infrastructure and agriculture. In view of the importance of social spending, he wondered whether donors should reconsider that change of focus and enter into dialogue with their partner countries regarding the most effective allocation of domestic and international resources. There sometimes had to be a trade-off between long-term economic growth and the immediate social needs of the poorest population segments.

56. **Mr. Murakami** (Japan) said that he would welcome more information on the "needs gap", which he understood to mean the gap between input and output. That concept was critical to preparations for the MDG Summit since it was important to understand why the huge amount of resources channelled into achieving the Goals had not always yielded the desired results. While the ODA target of 0.7 per cent of GNI was important, lifting people out of poverty was more so; particularly as the Summit was probably the last chance to achieve the Goals by 2015.

57. **Ms. Hanfstaengl** (Observer for the Jubilee Campaign) said that in a recent global survey on the impact of the environmental, food and economic crises on civil society organizations, most of the respondents had reported budget decreases in 2009 that threatened to compromise their ability to deliver social services. Since, according to the respondents, most government actions to deal with the global crises had not sufficiently addressed their social consequences, civil society organizations were, moreover, faced with an increased demand for their services. While she welcomed the news that most donor governments remained committed to achieving the ODA target of 0.7 per cent of GNI by 2015, there was a danger that if GNI fell, aid budgets would be reduced in absolute terms. Furthermore, according to the OECD Development Assistance Committee, it was anticipated that some major donors would not meet their aid commitments.

58. Civil society organizations welcomed the ILO Global Jobs Pact initiative and the United Nations proposal for a social protection floor, which could help protect vulnerable people as part of a system-wide approach. The way to ensure sufficient counter-cyclical financial support for such initiatives and for civil society organization programmes during and after crises was, however, as yet unclear. A financial transaction levy for development, imposed by national governments and applicable to all types of financial assets, was the most promising option. It was estimated that a tax rate of 0.1 per cent would yield US$ 735 billion globally and US$ 321 billion in Europe alone. Even a very small levy of 0.005 per cent, as discussed by Governments in the Leading Group on Innovative Financing for Development, could generate US$ 30 to US$ 35 billion in additional resources for development.

59. Civil society organizations also welcomed the emerging consensus on the huge cost to development of illicit capital flows, capital flight and tax evasion, including the mispricing of intra-group transactions, and agreed that the "race to the bottom" on competing tax incentives did not lead to sustainable development. Strengthening international tax cooperation in order to give developing countries a greater voice on such matters had therefore become urgent. While the participants in the International Conference on Financing for Development, held in Doha from 29 November to 2 December 2008, had requested the Council to strengthen institutional arrangements, including the United Nations Committee of Experts on International Cooperation in Tax Matters, that had not yet been done. It was urgent to establish a fair and transparent debt workout mechanism, especially in light of the current crisis.

60. Lastly, the mobilization of stable and predictable funds for achieving the MDGs required a sense of political urgency. While massive resources had been mobilized rapidly in order to rescue financial institutions in the major developed economies, social development challenges had yet to be treated in the same way.

61. **Ms. Baumann** (Observer for the Wisconsin Women's Business Initiative Corporation, accredited through the International Chamber of Commerce) said that the Wisconsin Women's Business Initiative Corporation worked in such areas as microcredit and access to capital; quality business education; and asset base development. Whereas its programmes had often been conducted as independent operations prior to the crisis, they were now completely entwined. The need for the Corporation's services had grown significantly in 2009; that year had also seen an increase in the resources made available for asset building and recovery through a number of programmes, including the Small Business Administration and the Community Development Financial Institutions Fund. It was encouraging to note that for the first time, microcredit was now seen as part of the solution.

62. Women represented the vast majority of microentrepreneurs worldwide. It was therefore important to acknowledge that many women business owners in the developing and developed countries had the capacity to grow larger businesses and create jobs. Many programmes in the United States of America now recognized that segment of women entrepreneurs as a source of significant job creation in the future economy; similar awareness was also starting to build in Latin America.

63. **Mr. Dilekli** (Turkey) said that the volatility of private capital flows into developing countries had a detrimental impact on efforts to achieve the MDGs; the reduction in such flows as a result of the crisis had led, in particular, to increased levels of poverty. In order to reduce that volatility, it was important to increase market confidence. While responsible domestic fiscal policy was crucial in that regard, IMF also needed to

double its lending resources and implement fast and flexible lending mechanisms in order to better respond to financial shocks; the flexible credit line already introduced had proved very useful for some countries. Furthermore, the international financial institutions should take the opportunity to improve the effectiveness of their lending in the context of the MDGs and to correct the underrepresentation of developing countries in their governance structures.

64. But strengthening the international financial institutions was not enough; the international financial system as a whole must be supportive of development. Although developing countries had been involved to a limited extent in efforts to draft new financial regulations, closer involvement was required in order to ensure that the new system did not further increase the cost of financing for developing countries. The Financial Stability Board should be asked to explain the potential impact of the new financial regulations on developing countries and to indicate how those regulations would support real sector activity.

65. **Ms. Nyam-Osor** (Mongolia) said that her Government was grateful for the rapid assistance that it had received from the international financial institutions in order to cope with the global economic and financial crisis. It was confident that the measures that it had put in place, including banking and public finance reforms and more targeted social transfer policies, would yield positive results in 2010.

66. Eradicating extreme poverty was the most challenging of the MDGs for Mongolia. About 35 per cent of its population still lived in poverty, despite the 8 to 10 per cent economic growth that had been achieved during the boom years. Since the country was prone to natural disasters, disaster risk reduction strategies should be mainstreamed into assistance programmes as it moved towards achieving Goal 1 of the MDGs.

67. **Mr. Patriota** (Brazil) said that at the MDG Summit it would be important to gain a clear idea of those Goals on which progress was lagging. His delegation considered Goal 1 to be critical since without eradicating extreme poverty and hunger, it would be difficult to attain the other Goals. Additional information on how the crisis was affecting progress towards the MDGs and on the types of policies that would be supportive would enable appropriate recommendations to be adopted at the Summit, particularly in relation to Goal 1. Employment generation, market access and productive investment were all relevant issues, as was the policy advice given to developing countries; it was fortunate that recent years had seen a change of mindset towards more socially conscious, development-oriented policy advice.

68. **Ms. Dodd** (United Kingdom) said that the current discussion of implementation gaps with regard to Goal 8 of the MDGs was very timely since 2010 was a particularly crucial year for achievement of the Goals. The 2010 annual conference of the United Kingdom Department for International Development had been held on 11 March 2010 on the theme "Agenda 2010: the Turning Point on Poverty". The conference, which focused on the MDGs, had involved contributions from a range of United Nations Member States and bodies. The Chair's summary of that conference, which presented a range of ideas and potential actions on the issues under discussion at the current meeting, would soon be submitted to the Secretary-General and the President of the General Assembly. She hoped that that summary, together with the international assessment being conducted by the United Nations Development Programme (UNDP) in order to establish the necessary course of action for meeting the Goals, would serve as additional resources to aid forthcoming negotiations and that the September 2010 MDG Summit would revitalize the effort to achieve all the Goals.

69. **Mr. Lewis** (International Policy and Partnership Group, Poverty Reduction and Economic Management Network, World Bank) said that three factors helped explain why remittances had remained comparatively unaffected by the economic downturn. The first, supported by documentary evidence, was that half of the world's migrant workers, and therefore half of the remittances, moved between countries of the South. The second, also documented, was that the regions to which workers travelled, including the United States of America, Western Europe, Eastern Europe and the Gulf States, had been affected differently and unequally by the crisis. The third, though less well supported by documentary evidence, was that increasing numbers of migrant workers were returning home permanently. The savings they took with them on their return were likely to be classified as remittances, affecting the total level of such funds. If the Bank's perception of that phenomenon was accurate, any subsequent economic

recovery in the workers' countries of origin would be less substantial.

70. With regard to the representative of the Russian Federation's comments on innovative approaches to development financing, including risk management, the World Bank Group devoted substantial effort to such matters, including by promoting catastrophic risk insurance and the assumption of public-sector risks by the private sector, areas in which minimal resources and substantial creativity could provide great benefit.

71. Concerning the statement by the representative of Cuba, he had not meant to sound triumphant about the degree of recovery from the global economic crisis; he agreed with the many participants who had described the upturn as precarious, particularly as it had been underpinned by financial and fiscal stimulus measures of uncertain duration aimed at stabilizing developed countries' financial markets. Many consequences of the crisis, including the need to create high-quality jobs and to maintain debt at sustainable levels, would take a great deal of time to address.

72. The likely causes of the asymmetric economic effects of the crisis mentioned by the representative of the United States of America, were low income countries' vulnerability to both upward and downward economic swings; their exposure to internal shocks and policy shortcomings; and reversals of past gains, specifically in the MDGs that did not relate directly to poverty reduction. In the case of those Goals, including Goal 4 (reducing child mortality) and Goal 5 (improving maternal health), progress and reversal were not in proportion with each other: falling below a certain level in human-development-related indicators such as nutrition resulted in losses that were difficult or even impossible to remedy.

73. The challenge of balancing the maintenance of structural fiscal reforms with the need to respond to economic shocks was difficult. The Bank was not in favour of simply establishing a fiscal target and insisting on compliance; it believed in strengthening fiscal systems so that countries were better able to strike such a balance. Recalling the view he had expressed earlier regarding continued social spending in the face of the crisis, he said that many countries had improved their planning, monitoring, decision-making and prioritization of objectives through the use of poverty reduction strategy papers, before the economic downturn, thereby reducing their vulnerability.

74. Adding to the response of the representative of IMF regarding conditionalities, he explained that the crisis had not resulted in any increase in the resources for low-income countries that the Bank received from its contributors for each three-year period. It was the constraints of that allocation, rather than the recipients' success or failure in meeting the conditions attached to assistance, that determined the distribution of funds. The only conditionality applied was the minimum requirement that the recipient must make proper use of the funds received.

75. Although economic growth was necessary, it was not sufficient for achievement of the MDGs; it must be accompanied by the means to provide solutions to problems such as inadequate nutrition or education. In reply to the comments of the representative of Belgium regarding the importance that donors attached to social and economic development, he said that the needs and constraints of the recipient country were paramount. The increased emphasis on consultation, collaboration and country ownership of development strategies, particularly the poverty reduction strategy paper, was intended to assist such decisions.

76. **Mr. Vos** (Director, Development Policy Analysis Division, Department of Economic and Social Affairs), responding to the doubts expressed by several participants regarding his description of Goal 8 as the least challenging of the MDGs, said that his intention had been to highlight the minimal resource requirements of Goal 8 as compared to the other Goals; the issue was one of financial magnitude and perspective. In addition, the factors contributing to success in achieving Goal 8 were related to long-standing international commitments in fields such as trade and debt relief, where some objectives had already been met successfully.

77. Addressing the observations made by the Observer for Spain on behalf of the European Union and by the representatives of Belgium and the United States of America, among others, he confirmed that, by taking stock of resource flows and commitments, the Report of the Gap Task Force would set ODA contributions and targets against the broader background of assistance from less traditional sources, including remittances, South-South aid transfers and funds from private non-governmental organizations

(NGOs). It should be remembered, however, that the volume of that assistance remained small and there was still a reverse flow of resources from the South to the North.

78. Referring to the observations made by the representative of Japan regarding the "needs gap", he said that the Gap Task Force Report sought to evaluate the degree to which donors met the requirements identified by developing countries themselves. On the basis of that evaluation, which would be inspired by the Paris Declaration on aid effectiveness and the Accra Agenda for Action, recommendations for improving aid effectiveness could be made.

79. With regard to the relative success of debt relief, he endorsed the conclusions drawn by the Acting Vice-President and Corporate Secretary of the World Bank and emphasized that the achievement of debt sustainability in many low-income countries should not give grounds for complacency. The HIPC initiative focused on external debt, but since many countries had an unsustainable level of total public debt, a broader view was necessary. A framework for tackling the sovereign debt of middle-income countries was also lacking.

80. Responding to the question of the representative of Venezuela regarding assessment of the impact of the crisis on ODA and on achievement of the MDGs, he said that the level of ODA had been measured against the Gleneagles commitments and the target of 0.7 per cent of GNI set by donors. The GNI of those donors had been diminished by the crisis and their aid budgets had diminished accordingly.

81. Successful responses to MDG needs, particularly those focusing on poverty reduction, depended above all on sustained coherence between macroeconomic, economic development, social, employment and other policies. While possible to achieve, that aim required careful tailoring to the situation of each individual country.

The meeting rose at 6.25 p.m.

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Economic and Social Council

Provisional

24 June 2010

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Special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development

Provisional summary record of the 6th meeting
Held at Headquarters, New York, on Friday, 19 March 2010, at 10 a.m.

President: Mr. Hamidon Ali ..... (Malaysia)

Contents

Special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development (*continued*)

Thematic debate of the whole on Theme 2: "Supporting rehabilitation, recovery and development efforts of developing countries with special needs and those facing humanitarian emergency situations"

(a) *Preview of the World Bank flagship publication,* World Development Report 2011: "Conflict, Security and Development", *by Ms. Sarah Cliffe, Special Representative and Director, World Development Report, World Bank*

(b) *Preview of the United Nations Conference on Trade and Development publication,* "The Least Developed Countries Report 2010", *by Mr. Charles Gore, Special Coordinator for Cross-sectoral Issues, Division for Africa, Least Developed Countries and Special Programmes, United Nations Conference on Trade and Development*

Informal interactive dialogue

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The meeting was called to order at 10.05 a.m.

Special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development (*continued*) (E/2010/11)

Thematic debate of the whole on Theme 2: "Supporting rehabilitation, recovery and development efforts of developing countries with special needs and those facing humanitarian emergency situations"

(a) Preview of the World Bank flagship publication, World Development Report 2011: "Conflict, Security and Development", *by Ms. Sarah Cliffe, Special Representative and Director, World Development Report, World Bank*

1. **Ms. Cliffe** (Special Representative and Director, *World Development Report*, World Bank) said that in preparing the annual *Report*, the World Bank normally spent nine or ten months analysing data before holding consultations on the findings. For the 2011 *Report*, however, it had held those consultations much earlier in the process for three reasons: first, because the topic for the *Report* was "Conflict Security and Development", it had been considered important to seek input and guidance from international institutions more directly involved in security issues; second, the lessons learned in that area were evolving rapidly; and, third, in the past, the global policy debate on the topic had been dominated by the Organization for Economic Cooperation and Development (OECD) countries and it had been considered important to reflect a wide range of countries and regional institutions in the *Report*. The Bank was halfway through that process and the findings that she would share had not been fully validated; she would welcome comments from the participants in the meeting. Joint processes had been held with the United Nations Development Programme (UNDP) Bureau for Crisis Prevention and Recovery and input papers had been received from the World Food Programme (WFP), the United Nations Children's Fund (UNICEF), the Department of Political Affairs and the Department of Peacekeeping Operations.

2. The drafters had found that conflict and high levels of violence had a significant impact on achievement of the Millennium Development Goals (MDGs). Although less than 50 per cent of all developing countries were in situations of conflict, those countries accounted for 70 to 80 per cent of the deficit in achievement of the Goals, particularly in the areas of infant and under-five mortality, lack of access to secondary education, unattended births and lack of access to drinking water. Thus, the adverse impact of conflict on development should be taken into account in preparation for the September 2010 high-level plenary meeting of the General Assembly on the Millennium Development Goals (the "MDG Summit").

3. There was some evidence that the recognized links between conflict and development needed to be updated in order to reflect twenty-first century realities such as post-conflict-settlement violence, gang violence, organized crime and cross-border conflicts. Until the late 1990s, there had been little fighting after the end of a peace process. Since then, however, that situation had changed dramatically: the annual percentage of global battle deaths accounted for by post-conflict-settlement violence had risen from 5 per cent to as high as 40 per cent and the number of countries affected by such violence had risen from one or two per year to eight to 10 per year. In the past decade, aid programmes and peacekeeping operations had been deployed to areas with ongoing post-conflict insecurity far more often than in the previous 20 years. Those statistics confirmed what practitioners had reported: they were working in increasingly insecure environments.

4. The links between different types of violence had first been noted in Latin America, where there had been a sharp rise in homicides; indeed, some Central American Member States had identified that issue as one of their core development problems. Many of the States concerned, including Guatemala and El Salvador, had initially had successful post-conflict settlements but were now faced with drug and gang violence at levels equivalent to those of their recent civil wars. Similar problems had been noted in parts of South Asia and West Africa.

5. Cross-border violence had also been studied. The international debate had focused on high-profile attacks, but the drafters of the *Report* had examined less-noticed types of violence that were seriously hindering countries' development; examples included organized crime, trafficking networks and movements such as the Lord's Resistance Army, which had originally been national in nature but was now committing attacks across six neighbouring countries.

6. The causes of conflict risk had been studied in terms of the stress placed on societies and their ability to restore confidence in situations of high conflict risk. Stresses could be either internal, such as youth unemployment and rising inequality, or external, such as climate change, trafficking and other economic shocks. The recent decision to emphasize external factors had emerged from early consultations with conflict-affected States, which had urged that the regional environment should be taken into account.

7. Consideration had been given to societies' degree of resilience to conflict risk. The 2011 *Report* would include, for the first time, case studies that were not limited to middle- and low-income countries but included violence in Northern Ireland and gang violence in Los Angeles. It was clear that countries with fewer economic and institutional resources found it harder to respond to such problems.

8. Social cohesion — trust in society and national institutions — was an area to which the Bank needed to pay greater attention. The drafters had also considered States' ability to call on regional and international assistance at need. Such assistance could diminish stresses arising from regional and global problems and, when provided upon request, could supplement national capacities. The *Report* would reflect the "track record" of donors, including the Bank itself, in providing assistance.

9. The links between security, development and justice issues and their role in restoring confidence during situations of conflict risk had been studied. In their review of country cases and their regional consultations, the drafters had found that successful conflict prevention and recovery programmes focused not on the entire range of development activities, but on more targeted issues such as restoring citizens' confidence in their security, providing economic hope through job creation and providing local-level justice and signals of inclusion to marginalized groups. While the Bank could address only one of those issues, it had found consistently that all three were necessary to a successful post-conflict outcome. One slightly worrying initial finding was that international development assistance programmes paid relatively little attention to areas such as agriculture, the police and the judiciary, and job creation.

10. Confidence could not be restored through international action since the population was well aware that long-term peace and stability must rely on national institutions, which must therefore be strengthened. International expectations of institutional reform were often unrealistic; for example, her team had visited Haiti in late 2009, prior to the recent earthquake, and had held consultations with the Government, civil society and international actors. At that time, Haiti had been expected to conduct a constitutional review; pursue a fundamental reform of its police; enact legislation in several sectors; restructure its economy, civil service and administration; reform its justice system; and conduct anti-corruption and anti-drug-trafficking drives, all within a 12-to-18-month period that would also include two national elections. No developed country could have enacted such sweeping reforms on that timetable. By setting unrealistic goals, the international community could unintentionally damage the recipient countries. The drafters of the *Report* would be looking at countries that had successfully completed extensive reforms in order to determine how much time had been required.

11. International dialogue in such areas was often uncoordinated, an issue that was relevant to the work of both the Council and the Peacebuilding Commission. Typically, the international financial institutions focused on economic restructuring and corruption; international security bodies on security reform, insurgency and trafficking; and the diplomatic community on elections and other political issues. Lack of communication among the three types of assistance providers could overload expectations of the pace of reform.

12. In some cases, the institutional models that recipients of international assistance were expected to adopt were unnecessarily rigid and based on Western institutions, rather than on the practices of other countries of the region or of countries that had faced similar challenges. In the past 50 or 60 years, countries that had successfully recovered from conflicts had tended to innovate to a considerable extent in response to local needs and realities. Institutional reform in a difficult political economy could also be a two-edged sword; while successful completion could increase resistance to conflict in the long term, it also created winners and losers and could therefore give rise to political backlash and increased conflict in the short term. There was evidence that the timing of elections and political reforms could have that effect; the

drafters were considering whether the same was true of economic and civil service restructuring, empowerment of disadvantaged groups, security actions against traffickers or insurgents and anti-corruption drives.

13. It was too early in the process to formulate recommendations. However, it might be wise for post-crisis programmes to pay more attention to prevention; the establishment of the Peacebuilding Commission showed that the United Nations was aware of that problem and the Commission was working on the question of whether post-crisis assistance programmes needed to focus more closely on prevention issues. Attention should also be paid to inequities in funding: the current rules of financing tended to provide a great deal of assistance to States in which civil wars had occurred and almost none to States that were trying to prevent them.

14. With regard to national ownership, international standards and institution-building, the drafters hoped to be able to provide guidance on realistic timing and international benchmarks and were exploring principle-based standards that would provide greater flexibility than procedural or institutional models. A greater role for South-South exchanges was also called for.

15. Concerning regional initiatives, the majority of the Bank's international assistance programmes targeted individual nation States; regional programmes represented a largely untapped potential. Possible approaches might include development programmes for insecure border areas; support for more general economic integration from the perspective of peacebuilding, rather than purely economic, returns; and efforts to address regional and global problems such as economic shocks, food insecurity and trafficking.

16. The drafters were beginning to look at a cluster of operational issues linked to the quality of support received from international institutions, including speed of response, the appropriateness of financing facilities and the risk management dilemma whereby institutions' desire to assist conflict-affected countries was balanced against their preference for risk-free aid programmes.

17. States' progress in diminishing high levels of conflict risk was not always reflected accurately in standard development measurements. Progress towards the MDGs was critical in conflict-affected regions, but such situations often took time to resolve. For example, in 2007 and 2008, the Government of Timor-Leste had conducted a successful peacebuilding programme that had decreased levels of violence and reintegrated displaced persons who accounted for over 20 per cent of the population, but that achievement had not been recognized in the international framework of measurements.

18. The *Report* provided a platform for global debate and an opportunity for the Bank to work with other partners, including at events such as the Council's annual meeting with the Bretton Woods institutions. Regional consultations were also conducted, most recently with the African Union; a consultation with the Association of Southeast Asian Nations (ASEAN) was planned for early April 2010. Partnership with the United Nations was particularly important because while the Bank could provide analysis and recommendations in the *Report*, it was not always the institution best placed to provide follow-up.

(b) Preview of the United Nations Conference on Trade and Development publication, "The Least Developed Countries Report 2010", *by Mr. Charles Gore, Special Coordinator for Cross-sectoral Issues, Division for Africa, Least Developed Countries and Special Programmes, United Nations Conference on Trade and Development*

19. **Mr. Gore** (Special Coordinator for Cross-sectoral Issues, Division for Africa, Least Developed Countries and Special Programmes, United Nations Conference on Trade and Development), accompanying his statement with a computerized slide presentation, said that it was important to examine emerging development challenges and to look at elements of a new policy framework for development in the least developed countries. The 2010 report would specifically consider the issue of international support measures for those countries.

20. The least developed countries had grown more quickly in the 2000s than in the 1990s, exceeding the 7 per cent growth target of the Brussels Programme of Action. However, approximately one quarter of them were performing poorly and the sustainability of their growth was questionable because it had been dependent on high commodity prices and increased external finance. That type of growth had not been effective in reducing poverty and in 2009, the global

financial crisis had put those countries further off target.

21. The decreased incidence of poverty and child mortality in least developed countries that began in 1994. Since the adoption of the Millennium Declaration in 2000, however, progress in those areas had been slower than was needed in order to achieve the MDGs by 2015. Indeed, owing to population growth, the absolute number of people living below the poverty line had increased.

22. The underlying problem, which would be critical for the coming decade, was employment. Given their demographics, the least developed countries would have many new entrants to the labour force for years to come and were facing a blocked structural transition because, owing to population growth, farms were becoming smaller and increasingly were located on marginal land. In the face of rural poverty, more people were seeking employment outside agriculture but there were insufficient job opportunities, leading many of them to move to urban areas and engage in criminal activity in order to survive. In addition, the least developed countries had undertaken deep trade liberalization and had open economies that were highly integrated with the global economy, with which they were finding it difficult to compete. That could be seen in their levels of food imports, which had risen significantly, despite the fact that urbanization should have stimulated agricultural production.

23. Major challenges included the growing importance of knowledge and technology, the effects of climate change, increasing South-South flows and the effects of the global financial crisis, which included negative per capita growth in one third of the least developed countries in 2009, a reduction in total export revenues, steep falls in private capital flows and lower remittances in most of those countries. Aid flows in 2010 and 2011 were going to be very important.

24. The global financial crisis was complex and had arisen amid radical global inequality and great interdependence. Global institutions were inadequate and investment banks granted bonuses that exceeded the gross domestic product (GDP) of poor nations. New approaches and policy frameworks were needed and must concentrate on developing productive capacities: not merely export supply capacities, but the capacity to create goods and services within an economy that depended on the accumulation of productive resources, infrastructure, trained people, technological capabilities, economic diversification and linkages. The role of the State and regional policies must adapt, shifting away from ideology towards pragmatism.

25. Good development governance was being given greater consideration. Unlike old-style development planning, it focused not only on participation, fairness, decency, accountability and transparency, but also on the purposeful promotion of national development and on using the authority of the State to catalyse structural transformation, create productive opportunities and raise living standards. Good development governance would benefit from a mixed economy model in which the State provided a vision, supported the development of institutional and organizational capabilities, coordinated activities within the economic system and managed conflicts to ensure that the costs and benefits or growth and crises were socially acceptable. Sectoral development policies were a necessary element of both agriculture and industry within a growth-oriented macroeconomic policy. The most successful of the least developed countries had pursued agricultural productivity growth and had reduced poverty, mainly through that growth and through linkages between farmers and local services and industries that could lead to structural transformation and growth of a local enterprise sector.

26. In order for developing States to adapt to the twenty-first century, greater importance must be given to democracy with bottom-up participation of citizens. In order to grow, the least developed countries required a more targeted approach that built on existing centres of policy excellence and strategic incrementalism rather than sweeping reforms. Policies must be adapted on the basis of experience, guided by national leadership and development vision. Donors must ensure country ownership and policy space since the least developed countries did not have the domestic resources needed for modern financial governance. The introduction of aid management policies at the recipient country level was a powerful tool for increasing aid effectiveness. However, donors must reorient their ODA towards the rebuilding of State capacities and advocate a rebalancing of the composition of aid towards production sectors and economic infrastructure. Regional action was also required for the development of productive capacities, including through increased cooperation within regions

and the inclusion of new development partners with a view to the exchange of experience and South-South cooperation.

27. International support mechanisms, the theme of the 2010 report, must be made more effective. Most of the existing special measures for the least developed countries focused on trade and must be broadened in order to address, inter alia, the infrastructure challenge. New international support mechanisms must be created in order to address challenges such as new knowledge and technologies, adaptation to and mitigation of climate change, increasing the developmental impact of foreign direct investment (FDI) and creating links to global value chains.

Informal interactive dialogue

28. **Mr. Aguirre** (Chile), speaking on behalf of the Rio Group, said that he agreed with the representative of UNCTAD regarding the importance of national ownership and the need to formulate and implement public policies for development. The Rio Group remained committed to cutting risks related to natural disasters within the framework of the Hyogo Framework for Action.

29. He asked whether the representative of the World Bank thought that there were unrealistic expectations regarding achievement of the MDGs in regions of conflict and in post-conflict countries.

30. **Mr. Acharya** (Observer for Nepal), speaking on behalf of the Group of Least Developed Countries, said that the underlying reasons for conflicts were complex but that poverty, deprivation and exclusion were among the key causes. In addition to a secure environment and justice, the availability of employment for young people and women in post-conflict countries was a great stabilizing factor, as was management of the expectations of the people. The challenge for vulnerable countries was to generate national capacities and ownership while ensuring strong international solidarity and partnership. There was no shortcut; engagements must be long-term, with a massive scaling-up of efforts to promote the internal capacities of countries so that they could deal with situations on their own. Progress in such situations was not always linear and coordinated efforts must complement national commitments, in order to prevent relapses into national conflict during economic downturns. It was not only desirable, but imperative, for all actors in the increasingly integrated modern world, to support national efforts to break the conflict-and-poverty cycle.

31. The least developed countries appreciated the consensus-building approach taken by the United Nations Conference on Trade and Development (UNCTAD) in the preparation of its flagship report. No one single approach could address the deep-rooted structural constraints of a globalized, competitive world. The least developed countries desired integrated development in order to ensure its sustainability. Many of the policy tools of the past were no longer available; however, new development opportunities were available to vulnerable economies and new capacities must be put in place in order for them to take advantage of those opportunities. The least developed countries called for international solidarity through official development assistance (ODA), effective market access, debt relief, FDI, technology transfers, and support from civil society and philanthropic organizations. Multiple crises had made life perilous in least developed countries that had already been volatile; they needed dedicated and substantive mechanisms to tide them over during such crises. He hoped that the next UNCTAD report would delve more deeply into the issues that he had raised.

32. **Mr. Rosenthal** (Guatemala), referring to the link between the special situation of countries emerging from conflict and achievement of the MDGs, said that many small countries with open economies were hard-hit by declines in fiscal revenue because the macroeconomic crisis had led to a reduction in imports and their tax systems relied on collection from foreign trade.

33. The demand for security and justice rose when public spending on security fell, and increased crime must be countered through employment generation. Civil security was an obvious area where the United Nations, the World Bank and other multilateral bodies could work together. Situations of conflict could not be overcome in the short term; problems could arise even 10 or 15 years after peace agreements were signed. There was a need for joint efforts to overcome the economic effects of conflicts and their consequences for democratic governance.

34. **Mr. Feyder** (President, Trade and Development Board, United Nations Conference on Trade and Development) said that one of the main causes of

poverty was the deficit in food production owing in part to the liberalization undertaken by the least developed countries, which had the lowest import duties in the world. In addition to the problems faced by small agricultural producers, there was an enormous rural exodus of people who moved to the cities to seek employment, often in vain. In Haiti, for example, the duty on trade goods had been reduced from 50 per cent to 3 per cent as part of structural adjustment programmes, making the country less and less self-sufficient in food. He would like to know what the World Bank's reaction would be if the Government of Haiti increased those rates in order to protect its small farmers. Regarding Goal 8 of the MDGs, concerning open trade, the poorest and most vulnerable countries must be allowed some discretion in order to protect peasants and farmers, who were the most affected by poverty, hunger and malnutrition.

35. **Mr. Kvasov** (Dean, Board of Directors, World Bank) said that the application of sound social science to issues of economic importance proved that multilateral actors could unite to address the issue of poverty. The creation of productive capacity was an excellent example of a way to make a difference in sustainable development so that the MDGs could be achieved and higher levels of development sustained.

36. **Mr. Edmond** (Association Femmes Soleil d'Haïti) said that Haiti had received assistance from the United Nations agencies present in the country after the earthquake of 12 January 2010. The Government and society had had to take urgent steps to protect health and communications; the people had shown their solidarity and his organization had sent victims to health centres and shelters. However, security and health problems remained.

37. Haiti depended on the United Nations to lead assistance efforts during the reconstruction process, which would be a long-term undertaking. That reconstruction was an opportunity to build a new egalitarian society based on social justice and inclusion. The medium- and long-term priorities were decent housing, revitalization of economic activity, professional training for youth, awareness-raising for both women and men, and support for civil society.

38. **Ms. Wahab** (Observer for Indonesia) said that Indonesia had learned from the 2004 tsunami in Aceh, after which strong leadership had provided needed direction and swift decisions. Coordination among donors, international organizations and local agencies had delivered aid to the affected population and enhanced the Government's response. Vulnerable and marginalized groups had been consulted and had made a contribution, and local community resources and volunteers had been invaluable in absorbing the most immediate shocks caused by the disaster. Tracking funds had been central to preventing corruption and ensuring integrity and accountability.

39. The Jakarta Commitment on Aid for Development Effectiveness had taken mutual accountability into the broader development context with a view to more effective and inclusive partnerships for development. While support and partnership with donor countries and international agencies after a disaster was critical, there must be a reduction in the number of organizations on the ground and in the lag time and delays between pledges and delivery of aid, and any excess in the assistance or aid provided to a given sector must be reallocated.

40. **Ms. Davies** (Australia) said that the presentations given by the panel showed that there was no single recipe for achieving the Goals. The Director for the *World Development Report*, in particular, had stressed that MDG strategies should include peacebuilding and should take into consideration the challenges faced by the least developed countries. The Peacebuilding Commission's increasingly prominent role in assisting post-conflict countries made its 2010 *Review* all the more important. Both presentations had highlighted the fact that countries could not be expected to implement every possible reform at once; models imposed from outside could be inappropriate and detrimental.

41. The presentations had also stressed the importance of agriculture as a livelihood and of job creation. Greater attention should be given to Goal 1 of the MDGs; many donors had withdrawn from agriculture, but the World Bank, Australia and others were returning to that sector. The liberalization of agricultural trade would help the least developed countries promote that sector.

42. The presentations had paid comparatively little attention to gender; she wondered whether that perspective would be included in the 2011 *World Development Report* and in the 2010 *Least Developed Countries Report*.

43. **Mr. Patriota** (Brazil) said that many developing countries, including his own, were concerned that aid

effectiveness tended to become an ideology, creating rigidities and preventing new concepts or forms of cooperation from taking root. Countries emerging from disasters were called upon to "build back better", but such calls often implied a negative opinion of what had gone before; each country had its own culture and identity. OECD had attempted to harmonize an approach to aid and cooperation that had been hugely influential in the United Nations system and elsewhere.

44. Both presenters had emphasized South-South cooperation and had expressed criticism of the "good governance agenda". He wondered whether they could envision an international support mechanism or development assistance framework that could act as an alternative to the OECD aid effectiveness platform while supporting South-South, triangular and other forms of cooperation.

45. **Mr. Sumi** (Japan) recalled that the UNCTAD Special Coordinator had suggested replacing old-style development planning with that of good development governance. He would welcome any further ideas on how the new concept would be defined. The Special Coordinator had rightly stressed that pragmatism should be valued over ideology. It was important to assess the effectiveness of South-South aid, which was a symbol of solidarity.

46. Disaster reduction strategies were already in place; the Hyogo Framework for Action was one example. However, many disaster reduction plans had never been tested and existed only on paper. The United Nations and the World Bank should look at ways to evaluate those plans before they were needed.

47. **Mr. Jordan** (Observer for the Business Civic Leadership Center (Chamber of Commerce, United States of America), accredited through the International Chamber of Commerce) said that some 3,000 companies in the United States of America functioned as corporate citizens and invested in external affairs. Collectively, they would amount to the fifth or sixth largest development agency; however, each of them had limited resources, and they did not aggregate. Their second-largest response to date had been to the January 2010 earthquake in Haiti, but long-term recovery was the most difficult challenge. Companies were focusing increasingly on sustainability, resilience and mitigation.

48. Over the previous 10 years, virtually all international development agencies had engaged in public-private cooperation. It would be interesting to have an evidence-based assessment of the correlation between various development assistance factors and sustainable development. From a business perspective, what mattered was the strengths that could be built on in any given country in order to create an incentive for further engagement. On 7 and 8 April 2010, the Business Civil Leadership Center would organize a conference at United Nations Headquarters on investing in the MDGs.

49. **Mr. Braga** (Acting Vice-President and Corporate Secretary, World Bank) recalled that the *World Development Report* Director had warned against excessive expectations with regard to the pace of reforms. At the same time, organizations learned from experience: the enhanced Heavily Indebted Poor Countries (HIPC) debt initiative and the Multilateral Debt Relief Initiative (MDRI) were being implemented more flexibly and rapidly than in the past.

50. In the case of Haiti, the World Bank had been in a good position to offer assistance because the country had already reached the completion point under the enhanced HIPC initiative. Even before the January 2010 earthquake, Haiti had been at high risk of debt distress; the focus had therefore been on grants rather than loans and further debt relief had been extended in the wake of the earthquake.

51. In developed countries, coherence should generally begin at home and was most easily achieved under a strong, well prepared Government. Where the State was fragile, the donor community took on an additional burden in terms of coordination. The representative of Brazil had warned against treating aid effectiveness as a dogma. However, the good governance agenda did have an important role to play; no one was suggesting bad governance as an alternative.

52. UNCTAD had been preparing its *Least Developed Countries Report* for 10 years; he wondered if the Special Coordinator could elaborate on the lessons learned during that time. In his presentation, the Special Coordinator had stated that the linkage between urban and agricultural development in least developed countries had been weakened as a result of trade liberalization. He found it difficult to believe that UNCTAD was advocating agricultural protectionism and would welcome clarification.

53. **Mr. Priyadarshi** (Director, Development Division, World Trade Organization) said that 32 least developed countries were members of the World Trade Organization (WTO) and a number of others were in the process of becoming members. Such countries faced a range of challenges, including their small share of global trade, extreme export concentration, preponderance of primary exports with little value added, and lack of productive capacity.

54. A conclusion to the Doha Round would help address such issues. Least developed countries would be exempt from reduction commitments in services and could obtain a waiver for preferential access. Under the special safeguards mechanism they would, under certain circumstances, be able to raise tariffs. Through the enhanced integrated framework, those countries also stood to gain from the Aid for Trade initiative. It was important to ensure that the Fourth United Nations Conference on Least Developed Countries led to specific deliverables.

55. **Mr. Zinsou** (Observer for Benin) said his delegation was pleased that the international financial institutions were becoming aware of the internal constraints faced by vulnerable States and were reassessing the policies imposed in the past under the Washington Consensus. The greater the conditionalities imposed on a country, the lower its capacity to absorb them and to ensure stability. It was important to evaluate the political impact of the reforms required by the international financial institutions in order to reach a new partnership in managing the risks involved, the timing of reforms and the availability of resources.

56. He welcomed the international financial institutions' new sensitivity to the importance of social cohesion and their willingness to recognize the role of the State in promoting stability for economic growth. In assessing debt sustainability, it was important to take into account the internal debt that continued to burden vulnerable States.

57. **Mr. de Bassompierre** (Belgium) said that the issuance of the 2011 *World Development Report* would be timely as the nexus of conflict, security and development deserved further analysis. Natural resources were at the centre of many conflicts, whether because of the stress caused by their scarcity, their use to finance conflicts, illegal trafficking, or post-conflict reconstruction. He wished to know whether the *World Development Report* would address those issues.

58. **Mr. González Segura** (Observer for Mexico) said that Mexican Government and society had mobilized to assist Haiti after the January 2010 earthquake. He asked how such efforts could be channelled and coordinated at the international level.

59. The concept of human security in the context of development was a broad one; he would like to know how it could be applied in practice.

60. The representative of Brazil had rightly pointed out that aid efforts should be pragmatic rather than ideological; the concept of aid efficiency should help coordinate efforts in the best possible way. The High-Level Event on South-South Cooperation and Capacity Development, to be held in Bogotá on 24 and 25 March 2010, would address that topic; he wondered if the panellists could comment on the matter.

61. **Ms. Ochir** (Mongolia) said that landlocked developing countries faced specific needs: transit and transport costs accounted for 6 to 8 per cent of her country's annual GDP. In order to resolve the issue, Mongolia had been negotiating a trilateral framework agreement, which she hoped would be concluded in the near future. Landlocked developing countries were attempting to enhance their analytical capabilities and find ways of offsetting their geographical handicap; in July 2009, the Think Tank on Trade and Landlocked Developing Countries had been established in Mongolia and her Government was working to conclude an intergovernmental agreement that would allow the Think Tank to begin research on ways for those countries to improve their trade infrastructures and to benefit from Aid for Trade initiatives. Several projects were being developed with a view to the improvement of economic vulnerability indicators. She would appreciate any comments on the value of those indicators and their applications for Mongolia's bilateral and multilateral partners.

62. **Mr. Follain** (France) said that although fragile States needed assistance the most, they also presented donors with the greatest difficulties; conditions on the ground often hampered the delivery of assistance efforts. Such cases required specific approaches, which should be based on methodological considerations while respecting the competence and mandates of each actor. Peacebuilding was primarily the responsibility of the United Nations, although the World Bank played a supporting role. There was a need to improve early warning mechanisms, taking into account both the

contingent and the structural dimension. Peacekeeping, peacebuilding and reconciliation were increasingly interconnected. The civilian dimension of the situation must be addressed even where political problems persisted, for example in Afghanistan, Iraq and Kosovo. With regard to capacity-building, the panellists had rightly stressed the importance of justice and State legitimacy. France had played an active role in such issues, for instance in the Balkans and, through the European Union, in the Democratic Republic of the Congo and Somalia. The upcoming Group of Eight Summit would address those questions in greater detail.

63. **Mr. Bachmann** (Observer for Switzerland) said that because the United Nations system was moving towards an increasingly integrated approach to crisis management, it was important for the World Bank Group to take part in the search for solutions. His delegation encouraged the United Nations and the Group to increase their cooperation on such matters.

64. The State had an important part to play in fostering productive capacities for economic development. Decentralized entities such as local or regional governments could also make a strong contribution as they were often closer to the processes that mattered for poorer populations. He asked what role the Special Coordinator envisaged for decentralized State entities.

65. **Mr.** Hardeep Singh **Puri** (India) said that it was essential to account for the current crisis in development cooperation. The issue was not only the failure of donor countries to meet their commitments; the daily work of international organizations was also affected. For several years, WTO had been holding multilateral trade negotiations, ostensibly with a view to a development agenda. Developing countries had been subjected to severe pressures during the Uruguay Round and had agreed to the current negotiations only in order to promote development. It was time to assess what had been achieved.

66. UNCTAD was supposed to be the proper forum for examining trade and development issues in an integrated manner. He wished to know what precisely UNCTAD had done in real terms to help the developing countries most affected by the crisis caused by toxic assets in the United States and Europe.

67. The specialized mandate and orientation of IMF and the World Bank were well known. However, in the context of peacebuilding, the question was how to ensure peace and economic recovery in fragile States where between 50 and 75 per cent of the nation's youth was unemployed. The fulfilment of commitments made by countries of the North had slowed down even further. At the same time, indications for South-South cooperation were positive. India had increased its development cooperation in parts of Africa; in addition to the US$ 3 billion in concessional lines of credit that had already been delivered, a further US$ 5.4 billion had been announced. India had contributed to the United Nations Peacebuilding Fund and was prepared to do so again. However, there was a need for increased cooperation; economic recovery and peacebuilding could not take place without job creation.

68. **Mr. Dilekli** (Turkey) said he hoped that the Fourth United Nations Conference on Least Developed Countries, to be held in Istanbul in 2011, would help address the issues under discussion. In order to tackle the root causes of poverty, it was vital to foster economic growth. National governments had a role to play in that process; strong market-building and market-supporting institutions should be established, in particular in the least developed countries, and public institutions should help generate an environment in which entrepreneurs could feel confident.

69. Turkey's experience showed the importance of structural reforms and of establishing institutions that could understand, implement and enforce them. The international community, and especially the international financial institutions, should assist the least developed countries towards that end. The administrative cost of such activities should be covered not by middle-income countries alone, but distributed on a more equitable basis.

70. **Mr. Treffers** (Executive Director, World Bank) said that he represented the Netherlands and 12 other countries on the Executive Board of the World Bank and worked with low- and middle-income countries and donor shareholders. Mr. Robert Zoellick, President of the World Bank Group, had established post-conflict and fragile States as one of the six strategic themes of his presidency.

71. He was pleased that the 2011 World Development Report would provide more data and analysis on the way forward. The challenge for the Bank would be to operationalize its outreach to developing countries.

Better coordination was needed and the Bank stood ready to develop workplans with the United Nations system; however, in light of the many agencies involved, he would like to hear the views of the Department of Political Affairs, the Department of Peacekeeping Operations, the Bureau for Crisis Prevention and Recovery and the Peacebuilding Commission on how a consolidated cooperation agreement with the Bank could be developed.

72. **Mr. Ovalles-Santos** (Bolivarian Republic of Venezuela) said that the low-income and developing countries were particularly vulnerable to natural disasters and humanitarian emergencies, as seen recently in Haiti and Chile. His Government had cancelled Haiti's debt to his country for a total of US$ 400 million and had provided an additional US$ 100 million in assistance after the recent earthquake. Governments had a key role to play in promoting sustained growth with a view to poverty reduction; he would appreciate it if the UNCTAD Special Coordinator would comment on that issue, and particularly on the State's role in creating productive capacity and promoting reconstruction and development.

73. **Mr. Siwakoti** (President, International Institute for Human Rights, Environment and Development) stressed that the poor bore the brunt of natural and man-made disasters and that women and children were the hardest hit by all forms of violence. Power-hungry warlords, cross-border arms dealers, unfair trade practices, ethnic strife, religious intolerance and war led to massive human rights violations and untold suffering, and small island States and those of the Himalayan belt were especially vulnerable to natural disasters. Conflicts resulted in displacement, discrimination and social, economic and political instability. All those factors had created a permanent floating population with no hope of achieving the MDGs by 2015. And, ironically, it was often the developed countries that provided the demand for trafficked and exploited labour.

74. He associated himself with the representative of Nepal's statement regarding the role of international partnerships in effective intervention. His organization recommended that a human-rights-centred rescue plan should be adopted, that all debt should be cancelled for countries that were unable to finance achievement of the MDGs from domestic resources owing to humanitarian emergencies, and that a victim support and reparation programme should be established.

75. **Mr. Hassani Nejad Pirkouhi** (Observer for the Islamic Republic of Iran) said that development must be based on productive employment, especially in the agriculture and industry sectors. However, the past 20 years had seen a continuing decline in ODA for agriculture and in light of the anticipated population increase, the prospects were not encouraging. He wondered how constructive the international financial institutions were in promoting changes in mindset and increasing their own relevance.

76. The recent financial crisis had been caused by developed countries that had first created disorder in their own financial systems and then called for the developing countries to institute good governance, which, while essential to sustainable development, must be viewed as a universal principle; the concept of democratic governance should extend to the international financial bodies.

77. **Ms. Cliffe** (Special Representative and Director, World Development Report, World Bank), replying to questions from the participants in the meeting, said that the importance of job creation to development was a major focus of the Bank's work; job creation was an important factor in the prevention of violence and in crisis recovery, although it must be combined with efforts to improve governance and promote a sense of inclusion.

78. With respect to long-term sustainability, the *World Development Report* would include a section on longer-term reforms that increased resilience to conflicts, such as broadening access to assets, to services and, over time, to leadership positions.

79. In reply to the question from the representative of Australia, she said that the *Report* would examine the impact of violence on women and their role in preventing violence and promoting recovery. In that context, however, "gender" should refer to both sexes since violence also had a disproportionate impact on young men.

80. Concerning the comments made by the Observer for Indonesia, she said that she welcomed the lessons learned from the 2004 tsunami in Aceh; a consultation meeting in Jakarta was planned for early April 2010. Indonesia's provision of assistance to the Association of Southeast Asian Nations (ASEAN) operation in

Myanmar was an excellent example of South-South cooperation.

81. The drafters of the *Report* would be looking at the issues of mutual accountability and earmarking of assistance. The representative of Brazil had drawn attention to the rigidity of the aid effectiveness debate and of institutional models, which was a core theme in the *Report*'s treatment of institution-building. It was preferable to move away from procedural models and to focus on outcomes; there were various ways of doing so. With regard to the harmonization debate, efforts were being made to address the proliferation of donor missions to countries and of reporting requirements. It would be useful for OECD and the Development Assistance Committee to build on those efforts, and they had shown themselves willing to do so.

82. In reply to the Senior Vice President and Executive Director of the Business Civic Leadership Center, she said there was evidence that countries with strong institutions and without security problems delivered more return per assistance dollar; for that reason, as the representative of France had noted, aid had not always been provided where it was most needed. The business community should view the provision of assistance to countries affected by conflict as something akin to venture capital; the risks were high but the potential returns were enormous.

83. As the representatives of Mongolia and WTO had pointed out, landlocked countries and landlocked regions of larger countries had a higher risk of violence; greater access and connectivity were needed.

84. The representative of Belgium had spoken of the need for natural resource management. Such resources, where present, could lead to struggles for control of the State because of its wealth; conversely, natural disasters could provide a disincentive for illegal activity by making it less lucrative.

85. Concerning the remarks made by the Observer for Mexico, she said that the recent focus on human security had been very helpful by putting families and households at the centre of the debate. For practical reasons, however, it was often necessary to focus on civic security and protection.

86. The representative of Chile had asked whether the expectations of progress towards the MDGs were realistic for countries in conflict or post-conflict situations. She had spoken of unrealistic expectations in the context of the speed of institutional reforms and the difficulty of dialogue among the diplomatic community, the security community and international financial institutions. However, some countries, such as Mozambique and Burundi, had made rapid progress towards the Goals despite a background of conflict and destruction. It was important to take stock of the situation, to realize that the issues that she had raised were central to achievement of the Goals by 2015 and to increase efforts rather than backing away from the commitments that had been made.

87. **Mr. Gore** (Special Coordinator for Cross-Sectoral Issues, Division for Africa, Least Developed Countries and Special Programmes, United Nations Conference on Trade and Development) said while he had no specific answer to the question raised by the Observer for the Islamic Republic of Iran, the international community should bear in mind the centrality of the issue of productive employment for the international financial architecture. In *The Least Developed Countries Report 2010*, UNCTAD had looked at that issue in the context of the broader development architecture, which was currently unsatisfactory; credible, pragmatic suggestions for its improvement were needed.

88. He welcomed the Observer for Nepal's comments regarding the need to adopt an integrated approach and to take recent crises into account.

89. Concerning the comments made by the representative of Australia, he said that the 2010 *Report* did not focus heavily on the gender dimension of productive capacity. It did, however, stress the importance of employment opportunities for women's buying power. International support mechanisms would not be addressed from a gender perspective, but their relationship to increased productive capacities and employment would be discussed.

90. He agreed with the representative of Brazil's remarks concerning the rigidity of the current approach to aid effectiveness. The 2008 *Report* had included a section entitled "The Paris Declaration and the drive to improve aid effectiveness", in which it was argued that the indicators used to measure ownership in the Paris process were inappropriate and that aid management policies at the level of the recipient countries were essential. Countries should look at their own indicators, using the Paris Process as appropriate, in

order to specify the types of aid that they wished to receive; that approach had proved effective in Uganda. That issue should now be linked to the Development Cooperation Forum so that countries which had introduced aid management policies could share their experience. Governments could also use such policies to coordinate North-South and South-South cooperation at the internal level.

91. A number of delegations had raised issues concerning governance and the role of the State. No one was suggesting that States should adopt bad governance, but it was important to view it as a package of both institutions and policies and of both procedures and outcomes, particularly economic development outcomes in terms of the production structure and employment. Exchange of experience among developing countries was a key benefit of South-South cooperation. Local government was important not only in the context of service provision, but of innovative sources of financing for promoting local-level enterprise development. It was important to be pragmatic, not ideological, in considering the proper role of the State.

92. In reply to the Acting Vice-President and Corporate Secretary of the World Bank, he said that he tended to be conservative on the issue of agricultural protectionism; it was difficult to ask countries that had already made rapid reforms to reverse them. However, as the President of the UNCTAD Trade and Development Board had suggested, all available options under the current WTO framework should be considered. For example, Sierra Leone currently imported its rice from Thailand and might be unable to emerge from conflict without developing domestic rice production; either tariffs or smart subsidies were needed in such cases.

93. Concerning the comments by the representative of Mongolia, he said that in the case of landlocked countries, it was important to look specifically at certain aspects of vulnerability; for example, those countries' enterprises needed large inventories that were expensive to maintain.

94. Volatility and vulnerability were key aspects of the broader issue of human security that had been raised by the representative of Mexico.

95. Responding to the Observer for India, he said that the financial crisis marked a turning point in the current 30-year-old development policy; the analyses conducted by UNCTAD played a valuable role in increasing awareness of that issue.

96. He agreed with the Executive Director of the World Bank on the need for coherence, but diversity also had value and could lead to new policies and ideas. An open policy coordination process was needed, but so was policy innovation.

The meeting rose at 1.10 p.m.

United Nations E/2010/SR.7

Economic and Social Council

Provisional

22 June 2010

Original: English

Special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development

Provisional summary record of the 7th meeting
Held at Headquarters, New York, on Friday, 19 March 2010, at 3 p.m.

President: Mr. Ali ..... (Malaysia)

Contents

Special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development *(continued)*

Thematic debate of the whole on Theme 3: Enhancing coherence and consistency of the international monetary, financial and trading systems in support of development

(a) *Preview of the Department of Economic and Social Affairs flagship publication, World Economic and Social Survey 2010: "Towards a New Development Paradigm: Coherence in Development Policy and International Cooperation", by Mr. Robert Vos, Director, Development Policy and Analysis Division, Department of Economic and Social Affairs*

(b) *Presentation by Mr. Detlef J. Kotte, Head, Macroeconomic and Development Policies Branch, Division on Globalization and Development Strategies, United Nations Conference on Trade and Development*

Informal interactive dialogue

Concluding comments and closure of the special high-level meeting

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The meeting was called to order at 3.10 p.m.

Special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development (*continued*) (E/2010/11)

Thematic debate of the whole on Theme 3: Enhancing coherence and consistency of the international monetary, financial and trading systems in support of development

(a) *Preview of the Department of Economic and Social Affairs flagship publication, World Economic and Social Survey 2010: "Towards a New Development Paradigm: Coherence in Development Policy and International Cooperation", by Mr. Robert Vos, Director, Development Policy and Analysis Division, Department of Economic and Social Affairs*

1. **Mr. Vos** (Director, Development Policy and Analysis Division, Department of Economic and Social Affairs) said that the global economic and financial crisis of 2008 and 2009 had exposed systemic failures in the workings of financial markets and gaps in economic policymaking. The rapid spread of the financial fallout in the United States of America had underscored the interconnectedness of the global economy, while skyrocketing and highly volatile world food and energy prices had reflected the chronic neglect of agriculture and lack of secure energy supplies. The consequences of climate change were exacerbating the situation.

2. The multiple crises had drawn attention to the need for major reforms in economic governance mechanisms and for new thinking about economic development. Sustainable solutions and a new balance between local decision-making and international institutions were needed. Retooling global development was the main theme of the *World Economic and Social Survey 2010*, which offered ideas to guide development policies and international cooperation.

3. The present time might prove to be a watershed in history as four major changes were occurring in the global economy. First, the balance of economic power was shifting; new economic powers were appearing in Asia while the living standards of some developing and developed countries were converging. Yet other countries, especially in Africa, were falling farther behind, giving rise to new tensions and insecurity.

4. Second, demographic changes over the next four decades would increase the world's population by 2.2 billion and by 2050, 85 per cent of a world population of 9 billion would be living in developing countries. Pressure on pension and health systems would increase with one person in four in the developed countries and one person in seven in the current developing countries over 65 years of age. Declining and ageing populations in developed regions might induce larger migration flows and developing countries would have growing urban populations. By 2050, an estimated 70 per cent of the world's population would live in urban areas. If timely action was not taken, changing food patterns would lead to land use shifts and further deforestation, higher energy use, rising food prices and regional food shortages.

5. Third, population pressures were already having environmental impacts with forests reduced by 30 to 50 per cent, groundwater sources depleting rapidly and biodiversity being lost. The burning of fossil fuels produced about 30 billion tons of carbon dioxide each year; if climate change was to be contained, energy systems, industrial production processes and infrastructure would have to be transformed in the decades ahead.

6. Fourth, the global interconnection of economic processes meant that international companies were increasingly dominating agricultural and industrial production and that problems in one part of the financial system could cause shockwaves elsewhere. Yet, despite the global challenges, the policies, rules and institutions governing those processes were mostly local while multilateral mechanisms were strongly compartmentalized.

7. Global governance institutions had to be reformed in a way that allowed nations and peoples to determine their own destiny. Under the Monterrey Consensus, developing countries had primary responsibility for their own development and developed countries undertook to sustain an international environment that facilitated development. That distribution of labour could create tension at a time when truly global solutions were needed.

8. Retooled national development policies and mechanisms for international cooperation and global governance had to facilitate a fairer and more

sustainable global development path. Policy coherence was therefore the central theme of the forthcoming *World Economic and Social Survey*. Retooling was a complex task: it was difficult to predict which policies would work best and there could be conflicts between national and international goals. The issues covered in the report included policy coherence in trade and finance, aid architecture and international support for the poverty and sustainable development agenda.

9. The Doha round impasse was largely a consequence of the difficulty of striking a balance between the desire for a common set of rules and the principle of accommodating differential capacities. More progress had been achieved in setting common rules, but rapid trade liberalization had progressively restricted developing countries' ability to use trade policies to promote sustainable, stable growth, domestic investment and employment absorption. Less progress had been made with the differentiated aspect of the approach, including the provision of duty- and quota-free market access for developing countries' products. Agricultural subsidies in the developed countries remained high, which reduced income opportunities for developing countries' farmers. Even when such obstacles were overcome, trade could not lead to growth unless developing countries had adequate production and trading capacities. The Aid for Trade initiative did not provide sufficient support and lacked coherence with broader national development policies. Thus, implementation of the common but differentiated approach would have to be reassessed. Internationally authorized subsidies in support of the export industries of developing countries should be truly selective, temporary and performance-related.

10. As multilateral trading rules also posed hurdles to the transfer of technology to developing countries, the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) was an area of continued controversy. Such hurdles made industrial development more expensive and ran counter to sustainable development objectives. Developing countries needed clean energy technologies and adequate financing support if they were to engage in catch-up growth while contributing to the reduction of greenhouse gas emissions.

11. In recent decades, deregulation of capital flows and domestic financial sectors had enabled international private capital flows to grow at a faster rate than world trade. However, volatile flows to developing countries had challenged macroeconomic policy management and limited their options for using exchange-rate policies to promote exports. Many developing countries had accumulated large foreign exchange reserves as a safeguard, but that required making net financial transfers to reserve-currency countries, which had been one element in the explosive growth of global financial imbalances.

12. Systemic flaws in the international financial architecture were at the centre of the current global economic crisis and had played a role in the fuel and food crises. An overhaul of existing regulation and governance mechanisms for global finance was needed. Better international policy coordination would help achieve a balanced recovery from the crisis since the present path to recovery could lead to further problems in the future. The external deficit of the world's largest economy, the United States of America, was widening again and there were growing trade surpluses in China and other parts of the developing world. Those imbalances were part of the problem that had led to the crisis and implied that more financial resources would be flowing from poor to rich countries. Greater policy coordination could address those imbalances and align global recovery efforts more consistently with development objectives and climate change mitigation initiatives.

13. At the Pittsburgh Summit, the Group of Twenty had promised to establish a policy coordination framework for "strong, sustainable and balanced growth" of the world economy. Rebalancing that economy would take years and international policy coordination would have to be embedded within multilateral institutions. Bold action was needed in order to move towards fair and sustainable global development. He hoped that the *World Economic and Social Survey 2010* would advance international discussion on those two difficult but urgent problems.

(b) *Presentation by Mr. Detlef J. Kotte, Head, Macroeconomic and Development Policies Branch, Division on Globalization and Development Strategies, United Nations Conference on Trade and Development*

14. **Mr. Kotte** (Macroeconomic and Development Policies Branch, Division on Globalization and Development Strategies, United Nations Conference on Trade and Development), accompanying his statement with a computerized slide presentation on global policy

coherence, said that the content of the United Nations Conference on Trade and Development (UNCTAD) *Trade and Development Report* was usually complementary to that of the *World Economic and Social Survey*. The 2010 *Report* would focus on employment policies adopted in the aftermath of the financial crisis and in response to structural changes in the world economy that had been apparent before the crisis and would continue for several years to come. It would look at macroeconomic policies and their impact on employment and consider new approaches to employment policies in the developed and developing countries in the future.

15. The outbreak of the crisis had led to bold calls for a new Bretton Woods agreement. Since then, the Group of Seven, the Group of Eight and the Group of Twenty had focused on short-term stabilization measures with some counter-cyclical policy coordination and financial regulation reform. However, little had been done to reform the international monetary and financial system or to deal with macroeconomic and monetary issues.

16. The crisis had been the result of financial fragility and instability, and of the unsustainable current account imbalances that had built up between the United States and China, among various other industrialized countries and among smaller industrialized countries and emerging market economies. Those imbalances had been largely a result of the currency instability and misalignment that had increased over the past 25 years. Excessive fluctuations in commodity prices had been followed first by their collapse after the crisis, and then by their resurgence without a recovery of the world economy; those occurrences were part of the same crisis.

17. The current account imbalances were probably the result of an ineffective international exchange rate system in which exchange rate movements were affected by financial flows, the changing sentiments of financial market participants and a lopsided distribution of domestic demand in the various countries. That situation might not have led to current account imbalances if the international monetary system or exchange-rate system had functioned better and if there had been a greater degree of macroeconomic policy coordination.

18. The dollar's role as a reserve currency had contributed to the situation. It was likely that exchange rate adjustments would otherwise have been smoother and would have led to an earlier adjustment of the United States deficit and of the corresponding surpluses of other countries. Another factor was increasing speculative capital flows of the carry-trade type, attracted by interest rate differentials among countries.

19. The third cause of instability and misalignment was the fact that exchange rates had been pegged incorrectly or left entirely to the market. In both cases, exchange rate management had not ensured the stability of international exchanges and of growth in the world economy.

20. Excessive commodity price fluctuations had been largely the result of the financialization of commodity markets by agents who dealt in commodity contracts as an alternative to financial assets. In the case of index trading, participants in the market were entirely detached from the fundamentals of any single commodity market. Fundamental factors had also been at work in primary commodity markets, but they could not explain the large fluctuations of the previous three years.

21. The systemic problems seemed to indicate that the International Monetary Fund (IMF) and the Financial Stability Board were unable to maintain international monetary and financial stability. They had not been effective in persuading States to take action to prevent the crisis. One reason was probably the asymmetric IMF surveillance, which was effective for debtor countries but not for non-borrowers and was especially ineffective for systemically important countries. Although the Fund had made efforts to establish multilateral exchange rate surveillance in recent years, the exchange rate management of major reserve currencies had not been adjusted in light of the increasing current account deficit and IMF had not played a major role in imposing macroeconomic policy coordination among its members.

22. Financial markets had been expected to find the right exchange rates. If countries' current account deficits implied that they had capital account surpluses, then as long as the markets financed those deficits through capital exports, the deficit was not viewed as a problem. However, the crisis had clearly shown that the "judgement" of financial markets could not be trusted.

23. Previous crises had also shown that the international liquidity provided by IMF had not been sufficient for Member States to take the necessary counter-cyclical action. Since the Fund's liquidity provision had often been unreliable, developing countries had increasingly chosen to accumulate large cushions of foreign exchange reserves. The pro-cyclical conditionality of IMF loans and credit had often made things worse.

24. The main reason for the lack of coherence in the global governance system was that although the World Trade Organization (WTO) provided a framework for multilaterally agreed rules and disciplines in international trade, the absence of such rules and disciplines in international monetary and financial relations had exposed surplus countries to the financial markets of deficit countries. That absence also allowed for trade distortions because exchange rate volatility and misalignment could change the relative competitiveness of producers in different countries in a way similar to tariffs and quantitative restrictions. Although exchange rates were not product-specific, they could cause considerable distortions in international trade since their movements were currently much less predictable than changes in international trade policies and tariffs. They therefore had a negative impact on investment and led to less creation of productive capacity, including in developing countries, than would be possible within a more stable exchange-rate system.

25. Financial regulation, which was currently decided at the national level, clearly required some degree of international surveillance and coordination in order to avoid major arbitrage owing to significant differences in financial regulation. There was also a need for stricter regulation of commodities future markets in order to reduce the potential impact of entirely speculative participation in those markets by financial actors.

26. As for macroeconomic governance needs, there had been discussion, over the past two years, of the usefulness of creating a reserve medium other than the dollar. Another option would be to establish multilaterally agreed rules for exchange rate management, comparable to the multilaterally agreed rules for trade policies. Countries would have to take macroeconomic policy coordination seriously if they wanted to prevent future financial and economic crises in the world economy.

27. At the national level, counter-cyclical policies should be strengthened. The unorthodox immediate response to the current crisis had been successful in the major industrialized countries, but only in some developing countries as most of them did not have the institutional and financial means to take counter-cyclical action. The conditionality of international financial support should take into account the importance of leaving those countries the necessary policy space.

28. A country issuing a reserve currency had no need to undertake current account adjustments or macroeconomic policies that led to adjustments in its current account because its deficit could be financed with its own money. Another problem was that an international reserve currency was made available according to the national needs of the issuing country rather than the needs of the international system. Lastly, there was the Triffin dilemma: the issuing country had to run a current account deficit in order for other countries to accumulate reserves.

29. The role of special drawing rights (SDRs) could be strengthened in various ways. Member States could exchange national currencies for SDR balances at IMF through a substitution account, or new SDRs could be created as foreign exchange reserves. Certainly, a greater role for SDRs would reduce the world economy's dependence on the dollar and allow more reliable and counter-cyclical provision of international liquidity. However, it would require a major reform of IMF and its operating rules. As SDRs were made up of a basket of currencies, the reserves would by definition be more stable than any individual currency. If access to SDRs were as easy as access to reserves of countries' own national currencies, exchange rate management for developing countries and emerging markets would be facilitated. Such a solution would be less costly than the holding of dollar reserves because SDR loans would not be subject to payment until they were drawn upon. However, the potential for bilateral misalignment and exchange rate instability between individual countries would remain. A rule for exchange rate management would be an important element of reform of the international monetary and financial system, but that the rule would not involve either a fixed exchange rate or an entirely floating one as neither approach had been shown to provide greater stability.

30. The UNCTAD proposal had been elaborated in its 2009 *Trade and Development Report* and other publications: each country should aim to achieve a stable real exchange rate at a level consistent with a sustainable current account position that did not rely on a large inflow of finance not related to real domestic investment or trade finance. Such an exchange rate mechanism would curb the excessive currency speculation of the carry-trade type as any positive interest rate differential would be compensated for by an exchange rate adjustment. Such a rule could prevent large current account deficits resulting from currency misalignment because it would not allow for long-lasting currency overvaluation as the result of speculative flows or deliberate policies. It would also help avoid unsustainable debt accumulation and large net foreign asset positions of corresponding surplus countries and would minimize the need for holding international reserves since the risk of financial crisis would be much smaller. Nevertheless, discussion of an alternative reserve currency would be of secondary importance once there were rules and disciplines in the international exchange rate system.

31. Since exchange rate reform, which had not even begun as yet, could not resolve the entire problem, complementary measures might be necessary. Meanwhile, countries should undertake "second-best" reforms by institutionalizing macroeconomic policy coordination.

32. Macroeconomic surveillance and discipline by IMF, or any internationally agreed body, should be strengthened and there should be internationally agreed rules and willing compliance with them by both indebted and systemically important countries. Developing-country policymakers should draw the lesson that dismantling all obstacles to private capital flows was not the best recipe for advancing economic development and that surging capital flows were not an indicator of great economic performance as they were more likely to be followed by a serious financial crisis.

33. Policy advice to developing countries should also take those lessons into account. For emerging markets in particular, it was important to realize that financial regulation had to be intensified along with expansion of the domestic financial market in order to avoid a financial crisis.

Informal interactive dialogue

34. **Mr. Gálvez** (Chile), speaking on behalf of the Rio Group, said that a new international financial architecture was needed in order to ensure the democratization of financial management and the strengthening of mechanisms to regulate international financial flows.

35. The 2010 United Nations Conference on the World Financial and Economic Crisis and Its Impact on Development and the 2002 International Conference on Financing for Development had reaffirmed the urgent need for reform of the entire international financial and economic system. The organizations of that system, including the Bretton Woods institutions, should be more representative and should allow for greater participation of developing countries in decision-making. The United Nations should play a central role in that reform process and in global economic governance in view of its universal and democratic nature and its promotion of comprehensive development.

36. He wondered whether the representative of UNCTAD thought that the Group of Twenty peer review mechanism could fill the gap in IMF surveillance of systemically important countries and, more generally, in global economic governance. He asked the representative of the Department of Economic and Social Affairs to identify the weaknesses in global economic governance to which he had referred, to explain what could be done to improve that governance, and to describe the role of the United Nations in promoting international measures for sustainable development and the Organization's projected role under the new architecture.

37. **Ms. Griesgraber** (New Rules for Global Finance) said that while IMF certainly could function as the lender of last resort, in practice it had not done so because of the heavy conditionalities attached to its loans. There had not been adequate discussion of the proposal for an international sovereign debt workout mechanism. She endorsed the calls for a global reserve currency that was not a national currency but questioned the utility of SDRs. The current system for measuring gross domestic product (GDP) was useless because it ignored the costs of pollution, resource depletion, and other factors to which economists such as Joseph Stiglitz and Amartya Sen had drawn attention. Decisions should be taken at the lowest

possible level, and she supported the establishment of regional monetary funds.

38. Above all, with the IMF mandate prominently on the agenda of the upcoming April 2010 meeting of the International Monetary and Financial Committee, it was time to have a frank discussion of ways to make IMF a responsible and competent institution. It should give greater weight to populations and to purchasing power parity. The Financial Stability Board, which exemplified the practice of wealthy countries making decisions in secret for the rest of the world, needed to be more transparent. IMF surveillance should shift resources from bilateral to multilateral analysis and should be equally binding on rich and poor countries. The Fund should expand its staff to include economists who considered the impact of policies on human beings, in particular with regard to employment, and on issues involving the greater public good, such as climate change.

39. **Mr. Vasiliev** (Russian Federation) said that measures should be taken to improve the global reserve system. An increase in the number of reserve currencies would help level out global imbalances and promote greater sustainability of the international financial and economic architecture. Regional currencies could replace international reserve currencies for countries in a region with developed mutual trade. In order to introduce such currencies, the issuing countries should follow a responsible, more open money and credit policy and should observe international rules for macroeconomic and financial discipline. Global regulation should be strengthened on the basis of international law and a system of multilateral agreements and the role of leading international organizations and institutions should be reconsidered.

40. **Ms. Cormon-Veyssière** (France) said it was clear that enhanced global economic governance was necessary in order to mitigate the negative effects of globalization. The need for strengthened regulation of the international financial system and more equitable representation in the Bretton Woods institutions had been mentioned several times. A new growth model that incorporated social priorities and the concept of green growth, as advocated by economists such as Joseph Stiglitz, was needed. Such a change could not occur without global coordination and cooperation through institutions such as the United Nations. As future president of the Group of Eight and the Group of Twenty, France assumed particular responsibility for ensuring that the needs of developing countries were taken into account.

41. **Mr. Chávez** (Peru) said that the crisis was international and therefore called for international solutions that went beyond the banking or financial sectors to address the effects of the crisis on the most vulnerable populations and the imbalances in labour flows brought about by migration. Peru had been less affected than other countries by the crisis, owing to prudent social spending and fiscal discipline that could be emulated by others. It was important not to succumb to the temptation to restrict the free flow of trade; it was precisely in times of crisis that countries should behave responsibly and avoid protectionism.

42. **Mr. Luo** Yang (Executive Director, IMF) noted that Chapter I, article 3, of the IMF Articles of Agreement listed promoting exchange stability as one of the Fund's most important functions. During the Asian financial crisis, the Chinese Government's resistance to pressure to devalue its currency had been one of the keys to recovery. He hoped that the countries with global influence in the current crisis would similarly maintain their currencies' stability and would not seek to restrict China's export trade; to do so would damage their own economies as much as China's and in any event, over half of that country's exports were produced by foreign or joint venture companies. Trade disputes should be resolved through negotiation rather than pressure tactics, with all countries on an equal footing.

43. It was important not to exaggerate the power of exchange rates to restore economic balance. Countries needed to look within their own national economies for solutions, starting with the reform of regulatory frameworks and removal of export restrictions. He agreed that the role of special drawing rights should be reviewed and that global governance needed to be more democratic.

44. **Mr. Onambélé** (International Chamber of Commerce, Cameroon, accredited through the International Chamber of Commerce) said that the private sector needed to play a significant role in development alongside the United Nations, the Bretton Woods institutions and donor countries. One of the reasons that international financing for development was falling short in the Gulf of Guinea was that the funds were coming from public sources, primarily the World Bank. That, in turn, was because money spent

on the economies of the developing world, and in particular Africa, was perceived more as a charitable contribution than as an investment that could return a profit. But Africa had made progress in the fields of education, health care and communications and investment would accelerate that progress. The industrialization of agriculture and local-level processing of raw materials were sectors that could be extremely profitable. His country and region were open to any sources of capital that wanted to invest in Africa not for the purpose of "helping", but in order to make money. There was a perception that middle-class Africans were dishonest, but many of them were hardworking entrepreneurs who simply needed technical assistance and political support in order to build viable partnerships with the international private sector.

45. Governments of the North should adopt policies for the aggressive promotion of investment in Africa and should themselves invest in and benefit from profitable initiatives. International organizations, including the Bretton Woods institutions, should provide technical and financial support for the establishment of such an institutional framework, which, once in place, would attract private investment as well. The International Chamber of Commerce would also have a role to play in that process.

46. **Mr. St. Aimee** (Saint Lucia), speaking on behalf of the Caribbean Community, said that while his region had not yet seen any signs of recovery from the crisis, the States of the Caribbean Community (CARICOM) had not been idle. They had a history of good governance and prudent macroeconomic policies and had embarked on an ambitious effort to create a single region market and economy; the fact that seven of them had a common currency had served as a buffer during the worst of the crisis.

47. The small developing States of the region had, however, little influence on the global and economic trends that had significant implications for their growth and development. The crisis had strengthened the case for multilateralism and had highlighted the importance of financing for development and a successful outcome to the Doha Round. He noted with interest the recommendation, contained in paragraph 38 of the report of the Secretary-General entitled "Building on Monterrey and Doha: towards achieving the internationally agreed development goals, including the Millennium Development Goals" (E/2010/11), that the United Nations system and international organizations should provide timely and well-coordinated international relief assistance to countries with special needs. He also supported the suggestion that the Committee of Experts on International Cooperation in Tax Matters should be converted into an intergovernmental subsidiary body of the Economic and Social Council, in order to allow enhanced international cooperation with developing countries, address emerging issues such as the tax consequences of climate change and give those countries a greater voice in standard development.

48. **Mr. Ovalles-Santos** (Bolivarian Republic of Venezuela) said that the issue of global reserve currency was a high priority for his country, and asked whether it was possible for the question of special drawing rights to be addressed outside the context of IMF.

49. **Mr. González Segura** (Mexico) agreed that the crisis called for a multilateral response, with enhanced coordination between the United Nations and the Bretton Woods institutions. His country participated in the Central American Integration System and other regional coordination mechanisms. It also played an active role in the Group of Twenty and welcomed the proposal that the President of the Council should participate in meetings of that Group.

50. **Mr. Dos Santos** (Paraguay), speaking on behalf of the Group of Landlocked Developing Countries, said that there was an imperative need for an international financial system in which the developing countries could play a leading role in order to ensure that the international economic and financial structure was supportive of their development efforts. The relationship between export growth and GDP growth had not been constant. Commodity exports, on which landlocked developing countries were heavily dependent, were affected by price volatility, the adverse impacts of the multiple crises on demand, tight credit and deteriorating expectations about the evolution of economic activity that affected consumption and investment decisions.

51. The Doha Round negotiations on trade facilitation offered an opportunity to offset some of the impacts of the crisis. Since landlocked developing countries were dependent on their neighbours for access to foreign markets, they were particularly interested in resolving transit and customs issues in order to ensure a smoother flow of goods across borders. He called on the United Nations, the Bretton

Woods institutions and WTO to enhance the coherence of international policymaking and build on the lessons of the very recent past in order to ensure that trade, financial and development policies were fully supportive of each other.

52. **Ms. Barendregt** (Senior Advisor, International Monetary Fund) said that while IMF had been unable to prevent the crisis, its reactions had been beneficial in several ways and there was broad support within the Fund for reforms to its mandate, quota system and governance. The Fund's role in ensuring global financial stability was not precisely defined and needed to be clarified; it also had a role to play in coordinating efforts to create a more robust financial system. IMF surveillance needed to focus more on the spillover effects of domestic actions, which would depend on States' willingness to take those effects into consideration when formulating domestic policies. The countries that she represented were in favour of strengthening peer review and mutual accountability among the Fund's members; the Group of Twenty mutual assessment process provided a good model in that regard. The international monetary system was another area to be considered; however, given that currency disruption had not played a major role in the current crisis, it would be imprudent to rush to do away with the existing system until alternatives had been thoroughly considered. The role of SDRs, in particular, deserved further study.

53. **Mr. Martín Carretero** (Observer for Spain) noted that coherence in the global financial architecture in pursuit of the MDGs would be more readily achieved if there was consistency in national financial, trade and environmental policies. To that end, the European Union was working to promote greater policy coherence and to develop indicators in the areas of trade, finance, food security, international migration, human security and climate change. The multilateral system itself must, of course, work actively towards coherence and, in the process, the Bretton Woods institutions in particular had to become more inclusive. Also, various organizations should come together to establish coherent joint assistance, taking into account conditionality and the goal of national ownership. Another key to coherence was to devise internationally applicable incentives and standards, such as the International Labour Organization (ILO) labour standards. On the other hand, a serious obstacle to the coherent achievement of the Goals was the extent to which tax evasion and capital flight cut into the resources available to governments.

54. **Mr. Nasir** (Observer for Indonesia) recalled how quickly currency speculation had eroded confidence in his own country's entire economy, recently pushing it to the verge of bankruptcy, and asked how the UNCTAD representative would recommend reducing currency speculation and whether he thought a financial transaction tax would be useful.

55. **Mr. Macheve** (Mozambique), supporting those who had spoken in favour of increasing the role of the United Nations system in support of global economic governance, said that coherence was an important issue for Mozambique, which was working to improve United Nations programme delivery at the country level. He would like the panellists to elaborate on the efforts being made by the Bretton Woods institutions and the United Nations system to explore further means of coordination among them, especially through greater harmonization of strategic frameworks, instruments, modalities and partnership arrangements in support of national development programmes and strategies.

56. **Mr. Geadah** (Alternate Executive Director, International Monetary Fund) said that IMF was trying to make its surveillance multilateral by not treating any country as an island unto itself, but rather monitoring annually the effects of the world economy on each country, and the effects of each country's economy on those of other countries. Also, IMF surveillance of the traction of its advice in no way indicated that its advice was taken by poorer countries, whereas it had, in his experience, been taken very seriously by some advanced European countries.

57. For some years, IMF had been working on a credible, transparent formula that would shift quota shares from the advanced to the developing countries. Its programmes had been described as pro-cyclical, but the more recent ones would have to be categorized as anti-cyclical. In any event, the programme focus was always on helping a country achieve sustainable growth in the medium term.

58. As to the availability of resources, IMF was not a lender for all country needs. It acted as a credit union that paid out but also recovered funds from member countries and ensured that the funds provided had been

used responsibly. It also served as a catalyst for other donors to bring in supplementary funds.

59. **Mr. Rosenthal** (Guatemala) asked the panellists to comment on the connection between the Group of Twenty — the forum which had acted most energetically during the global economic emergency — and both the Bretton Woods institutions and the United Nations system.

60. **Ms. Novoa** (Uruguay) asked the representative of UNCTAD how the new, inclusive and equitable system of international financial rules that he had described would be implemented and what body would be in charge of negotiating, applying and monitoring the compliance with those rules.

61. **Mr. Harris** (Special Representative of the International Monetary Fund to the United Nations) said that the global crisis was allowing IMF to see in a fresh light problems that had long been recognized and to move forward on them. Surveillance issues, for example, had been the object of much thought for several years before the Fund's 2007 Decision on Bilateral Surveillance, which had made it easier to advance bilateral, regional and multilateral surveillance and to establish links between the financial sector and the real sector. In reply to the representative of New Rules for Global Finance, he said that IMF recognized the need for a different mix of skills and, in the past 18 months, had been recruiting financial-sector experts to complement the macroeconomists already on its staff.

62. Concerning the presentation by the representative of UNCTAD, he said that the Fund's focus had always been on sustainability, not cyclicality. Where countries had been unable to take counter-cyclical measures in response to the crisis, they had invariably done so because they lacked the necessary resources. Where financing from the international community was available, IMF programmes were extraordinarily flexible and gave countries the latitude they needed in order to act.

63. The representative of UNCTAD had spoken of the need for multilaterally agreed rules for exchange rate management and, in particular, of the need to stabilize the real exchange rate at a level consistent with a sustainable current account position. He wondered how and by whom that would be accomplished.

64. **Mr. Kotte** (Head, Macroeconomic and Development Policies Branch, Division on Globalization and Development Strategies, United Nations Conference on Trade and Development), replying to the question raised by the representative of Chile on behalf of the Rio Group, said that peer review in the Group of Twenty and IMF helped States identify common or conflicting interests and arrive at mutually acceptable solutions. While reliable, that process was still a far cry from the institutional framework provided by trade policies under WTO. A complex system of that kind, which included rules and sanctions, should be the goal in the macroeconomic and monetary policy context as well. In the past 25 or 30 years, there had been a shift towards the prioritization of price stability and balanced budgets at the expense of growth, employment and demand management. While that shift should not be entirely reversed, a strict focus on those predominantly financial-market criteria should be reconsidered when assessing the soundness of macroeconomic policies. It was misleading to see huge capital inflows as a sign of strength; just six months before the collapse of Iceland's economy, IMF had stated that the country was in an enviable position.

65. Again on the question of surveillance, the Governments which relied on IMF, not the Fund itself, were the ones responsible for translating the changes suggested by the Fund into stabilizing action. And to do so, Governments might need to give up a degree of national policy space for the sake of the stability of the world economy, which would in turn benefit them.

66. He had been happy to hear that IMF was rethinking its exchange rate management system since the existing system appeared chaotic. What distinguished the financial and monetary arena from the trade arena was precisely the lack of rules. As to who should make the necessary rules and how — a question raised by the representatives of Uruguay and IMF — it was the Member States which must come together and negotiate them without excluding the Fund as an excellent source of expertise and the United Nations system as a forum; IMF could not impose rules from the top down. The United Nations might propose that Member States make the issue a priority, for much more attention needed to be given to the importance of exchange rate stability for trade, growth and development. The actual design of the exchange rate management rules would, of course, bring technical tools into play. He had simply wanted to indicate a way

out of a dilemma that the international community had not resolved. UNCTAD had no blueprint for creating international financial rules and no body in mind that could supervise compliance, but certainly IMF would be one of those competent to do so.

67. The best way to deal with the international currency speculation referred to by the observer for Indonesia was to reduce the incentives for it. If the currency rate could not fluctuate as it did now — if, by rule, adjustments compensated for interest rate differentials — the effect would be to reduce speculation. A financial transaction tax that reduced the attractiveness of speculation could be useful as well. On the other hand, as long as no international mechanism existed to limit the scope of speculative gain, there were national measures that could be taken, such as controls on capital inflows, which might shelter countries from the negative impact of their international trading positions.

68. The influence of the financial sector was so great that everyone tried to satisfy its interests, but trying to please the market was very risky. Markets did not create real wealth; they were merely an instrument that allowed the real economy to create productive capacity. The prevalent attitude, which had led to the crisis, and the criteria for the soundness and sustainability of policies needed rethinking. IMF programmes that focused on specific objectives in order to make countries attractive to foreign financial-market investors in search of profit had led to undesired results.

69. It was true that IMF could be seen as a credit union whose resources were to be preserved but, while that was an important function, the Fund should also be given a broader role more like that of a central bank that created its own liquidity.

70. Regional monetary cooperation could stabilize the macroeconomic situation at the regional, but not the global, level. Moreover, it would require one member of the regional group to issue a reserve currency and would doubtless create problems of conditionality and democratic hierarchy similar to those that had arisen under IMF. Reserve pooling, as practised in Latin America and Asia, was too new to assess accurately but could only be a second-best solution.

71. **Mr. Vos** (Director, Development Policy and Analysis Division, Department of Economic and Social Affairs), replying to questions from several participants, said that the United Nations had no official position yet on the role that it should take in ensuring policy coherence and reforms; it was up to Member States to define that role. In any event, the Organization, its specialized agencies and the Bretton Woods institutions were putting economic governance reform on their agendas and the governance of long-term issues ultimately needed to be embedded in a multilateral process with links to platforms such as the Group of Twenty. The first thing to be decided was which governance functions needed to be reformed in the coming years.

72. Coherence was essential in determining what would work — in surveillance, in macroeconomic policy coordination and in the reserve system. Recent IMF attempts at multilateral surveillance had failed because they were too voluntaristic and unenforceable at country level. The Group of Twenty had set up a framework for balanced, sustainable growth of the world economy, yet such macroeconomic policy coordination would not result in the desired growth unless the systematic flaw in the currency reserve system was remedied, obviating the need for countries to accumulate huge reserves. All reforms thus had to proceed sequentially and concomitantly. One solution to rebalancing the world economy, for example, might be massive investment in the energy sector with technical and financial transfers to the developing world, reversing the current pattern of transfers from the developing to the developed countries. There again, the United Nations should take the lead, with its broader view of climate change, financial and economic issues and employment and development agendas, all core areas in which it must adapt its institutions and programmes as well as its structure.

Concluding comments and closure of the special high-level meeting

73. **The President** said that he was pleased to accept the invitation from the Dean of the Board of Directors of the World Bank to present the results of the special meeting with the Bretton Woods institutions to the Development Committee during the April 2010 meetings of the World Bank and IMF.

74. In summation, he recalled that the statements made at the opening session of the special meeting had identified a number of factors that were crucial to achievement of the MDGs, including productive

capacity-building through job creation in the developing countries; policy space that would allow those countries to pursue their development goals; reduction of imbalances in the global economy and in the enjoyment of its benefits; intensified efforts by the Bretton Woods institutions to provide financing in the wake of the crisis; ongoing reform of the World Bank; conclusion of the Doha Round, complemented by targeted Aid for Trade in developing countries; legal predictability in, and a clear mechanism for, debt restructuring; greater cooperation between the United Nations and the Bretton Woods institutions in the interests of policy coherence; and a greater coordinating role for the Economic and Social Council in international development cooperation.

75. In the debate on Theme 1, the continuing impact of the crisis had been noted in terms of few employment opportunities, a downturn in growth greater than the rebound in the poorer countries, and the severe effect on migrant workers in some areas; a coordinated international response had been considered essential. It had been emphasized that the situation in each country determined how it would balance the requirements of the economic and social sectors and that good governance was essential. Several speakers had called for the developing countries to be given a greater say in decisions of the Bretton Woods institutions. Although it had been noted that IMF conditionalities and programmes had been streamlined to allow for social expenditures, some had called for the abolishment of all conditionalities. It was also felt that traditional ways of mobilizing development assistance resources had to be supplemented by innovative sources of finance and improved tax administration as a means of domestic resource mobilization.

76. In the debate on Theme 2, it had been recognized that countries with special needs faced more challenges during crises; that the vulnerable segments of their population, particularly women and children, were the hardest hit; and that their rehabilitation, recovery and development should focus on increasing the productive capacity of their economies and generating decent jobs. Their governments should take the lead in building institutional and organizational capacity, coordinating economic activities and containing the social impact of crises, but they must be supported by a strong international partnership that gave a timely, integrated and coordinated response to crises, both in special-needs countries and in countries facing humanitarian emergency situations. National development efforts of those countries had to be buttressed by more cohesive, coordinated and comprehensive international development cooperation and by greater South-South cooperation.

77. In the debate on Theme 3, the point had been made that while the Group of Twenty was an improvement over the Group of Eight as the major forum for global discussion, it still excluded the majority of countries; the pressing needs facing the world were most legitimately addressed by the United Nations. Many participants had noted that the governance structure of the Bretton Woods institutions should better reflect current economic realities and give more representation to low-income countries, and some had called for bolder efforts in that regard. A few speakers had focused attention on the need for more effective multilateral instruments for broad-based precautionary financing that would offer a credible alternative to self-insurance by developing countries, while others had pointed out that many IMF programmes, though somewhat improved, were still prescribing pro-cyclical policies. The urgency of strengthening the mechanisms regulating financial flows had been underscored, as had the need to redress the deficiencies of the current international monetary system, which was almost exclusively based on the United States dollar; the international community had been urged to start discussions on an international reserve currency, including the issue of broadened SDR arrangements.

78. He declared closed the special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development.

The meeting rose at 6 p.m.

United Nations E/2010/SR.8

Economic and Social Council

Provisional

1 July 2010

Original: English

Resumed organizational session of 2010

Provisional summary record of the 8th meeting
Held at Headquarters, New York, on Wednesday, 28 April 2010, at 10 a.m.

President: Mr. Ali ..... (Malaysia)

Contents

Adoption of the agenda and other organizational matter *(continued)*

Elections, nominations, confirmations and appointments *(continued)*

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The meeting was called to order at 10.20 a.m.

Adoption of the agenda and other organizational matters *(continued)* (E/2010/L.2, E/2010/L.3 and E/2010/L.4)

Draft decision E/2010/L.2: Theme for the item on regional cooperation of the 2010 substantive session of the Economic and Social Council

1. *Draft decision E/2010/L.2 was adopted.*

Draft decision E/2010/L.3: Theme for the humanitarian affairs segment of the 2010 substantive session of the Economic and Social Council

2. *Draft decision E/2010/L.3 was adopted.*

Draft decision E/2010/L.4: Economic and Social Council event to discuss transition from relief to development

3. *Draft decision E/2010/L.4 was adopted.*

Elections, nominations, confirmations and appointments *(continued)* (E/2010/2/Add.1)

Permanent Forum on Indigenous Issues (E/2010/9/Add.8, E/2010/9/Add.9 and E/2010/9/Add.12)

4. **The President** drew attention to the list of candidates for the elections and invited the Council to elect eight members to the Permanent Forum on Indigenous Issues for a three-year term beginning on 1 January 2011.

5. **Ms. de Laurentis** (Secretary of the Council) said that Mr. Simon William M'Viboudoulou (Congo) had been endorsed by the Group of African States; Ms. Paimaneh Hasteh (Islamic Republic of Iran) had been endorsed by the Group of Asian States; and Ms. Helen Kaljuläte (Estonia) and Mr. Andre Alexandrovich Nikiforov (Russian Federation) had been endorsed by the Group of Eastern European States.

6. **The President** said that, since the number of candidates from the Group of African States, the Group of Asian States and the Group of Eastern European States was equal to the number of vacancies, he took it that the Council wished to elect by acclamation the candidates proposed.

7. *It was so decided.*

8. *Mr. Simon William M'Viboudoulou (Congo), Ms. Paimaneh Hasteh (Islamic Republic of Iran), Ms. Helen Kaljuläte (Estonia) and Mr. Andre Alexandrovich Nikiforov (Russian Federation), were elected to the Permanent Forum on Indigenous Issues.*

9. **The President**, noting that there were more candidates than vacancies from the Group of Latin American and Caribbean States and the Group of Western European and Other States, invited the Council to elect two members from each of those groups, by secret ballot, for a three-year term beginning 1 January 2011.

10. **Ms. de Laurentis** (Secretary of the Council) said that Ms. Mirian Masaquiza (Ecuador), Mr. Gabriel Muyuy Jacanemejoy (Colombia) and Mr. Alvaro Esteban Pop Ac (Guatemala) had been endorsed by the Group of Latin American and Caribbean States; and Ms. Eva Biaudet (Finland), Mr. Bartolomé Clavero (Spain) and Ms. Megan Davis (Australia) had been endorsed by the Group of Western European and Other States.

11. *At the invitation of the President, Ms. Saddy Halimatou Djibo (the Niger) and Mr. Yahya Al-Obaidi (Iraq) acted as tellers for the vote on the candidates from the Group of Latin American and Caribbean States.*

12. *A vote was taken by secret ballot.*

Number of ballot papers:	53
Number of valid ballots:	53
Number of members voting:	53
Required majority:	27
Number of votes obtained:	
Mr. Alvaro Esteban Pop Ac (Guatemala):	49
Ms. Mirian Masaquiza (Ecuador):	37
Mr. Gabriel Muyuy Jacanamejoy (Colombia):	18

13. *Having obtained the required majority, Mr. Alvaro Esteban Pop Ac (Guatemala) and Ms. Mirian Masaquiza (Ecuador) were elected members of the Permanent Forum on Indigenous Issues.*

14. *At the invitation of the President, Mr. Rastam (Malaysia) and Mr. Tolkach (Russian Federation) acted as tellers for the vote on the candidates from the West European and Other States.*

15. *A vote was taken by secret ballot.*

Number of ballot papers:	53
Number of valid ballots:	53
Number of members voting:	53
Required majority:	27
Number of votes obtained:	
Ms. Megan Davis (Australia):	40
Ms. Eva Biaudet (Finland):	38
Mr. Bartolomé Clavero (Spain):	24

16. *Having obtained the required majority, Ms. Megan Davis (Australia) and Ms. Eva Biaudet (Finland) were elected members of the Permanent Forum on Indigenous Issues.*

Commission on Population and Development (E/2010/9)

17. **The President** invited the Council to elect eight members to the Commission on Population and Development for a four-year term beginning at the first meeting of the Commission's forty-fifth session in 2011 and expiring at the close of the Commission's forty-eighth session in 2015.

18. **Ms. de Laurentis** (Secretary of the Council) said that Algeria and Gabon had been endorsed by the Group of African States; Georgia had been endorsed by the Group of Eastern European States; and the United States of America had been endorsed by the Group of Western European and Other States.

19. **The President** said that, since the number of candidates from each regional group was equal to the number of vacancies, he took it that the Council wished to elect by acclamation the candidates proposed.

20. *It was so decided.*

21. *Algeria, Gabon, Georgia and the United States of America were elected members of the Commission on Population and Development.*

22. **The President** said that, in the absence of any other candidates for election to the Commission on Population and Development, he took it that the Council wished to postpone the election of two members from the Group of Asian States and two members from the Group of Latin American and Caribbean States for a four-year term beginning at the first meeting of the Commission's forty-fifth session and expiring at the close of its forty-eighth session in 2015.

23. *It was so decided.*

Commission for Social Development (E/2010/9)

24. **The President** invited the Council to elect 14 members to the Commission for Social Development for a four-year term beginning at the first meeting of the Commission's fiftieth session in 2011 and expiring at the close of the Commission's fifty-third session in 2015.

25. **Ms. Ochir** (Mongolia) said that Mongolia had withdrawn its candidacy.

26. **Ms. de Laurentis** (Secretary of the Council) said that Burkina Faso, Cameroon, Egypt and Zimbabwe had been endorsed by the Group of African States; Cuba, Mexico and Peru had been endorsed by the group of Latin American and Caribbean States; and Andorra and Spain had been endorsed by the Group of Western European and Other States.

27. **The President** said that, since the number of candidates from each regional group was equal to or less than the number of vacancies for each group, he took it that the Council wished to elect by acclamation the candidates proposed.

28. *It was so decided.*

29. *Andorra, Burkina Faso, Cameroon, Cuba, Egypt, Mexico, Spain and Zimbabwe were elected members of the Commission for Social Development.*

30. **The President** said that, in the absence of any other candidates for election to the Commission for Social Development, he took it that the Council wished to postpone the election of three members from the Group of Asian States, one member from the Group of Eastern European States and one member from the Group of Western European and Other States for a four-year term beginning at the first meeting of the Commission's fiftieth session and expiring at the close of its fifty-third session in 2015.

31. *It was so decided.*

32. **The President** recalled that there was one outstanding vacancy on the Commission for Social Development to be filled by the Group of Eastern European States. The term of office would expire at the close of the Commission's fifty-first session in 2013. To date, no nominee had been proposed to fill that seat.

Commission on the Status of Women (E/2010/9)

33. **The President** invited the Council to elect 11 members to the Commission on the Status of Women for a four-year term, beginning at the first meeting of the Commission's fifty-sixth session in 2011 and expiring at the close of the Commission's fifty-ninth session in 2015.

34. **Ms. de Laurentis** (Secretary of the Council) said that the Democratic Republic of the Congo, Liberia and Zimbabwe had been endorsed by the Group of African States; the Islamic Republic of Iran and Thailand had been endorsed by the Group of Asian States; Estonia and Georgia had been endorsed by the Group of Eastern European States; Jamaica had been endorsed by the Group of Latin American and Caribbean States; and Belgium, the Netherlands and Spain had been endorsed by the Group of Western European and Other States.

35. **The President** said that, since the number of candidates from each regional group was equal to the number of vacancies for each group, he took it that the Council wished to elect by acclamation the candidates proposed.

36. *It was so decided.*

37. *Belgium, the Democratic Republic of the Congo, Estonia, Georgia, the Islamic Republic of Iran, Jamaica, Liberia, Netherlands, Spain, Thailand and Zimbabwe were elected members of the Commission on the Status of Women.*

Commission on Sustainable Development (E/2010/9)

38. **The President** invited the Council to elect 20 members to the Commission on Sustainable Development for a three-year term beginning at the first meeting of the Commission's twentieth session, in 2010, and expiring at the close of the Commission's twenty-first session, in 2014.

39. **Ms. de Laurentis** (Secretary of the Council) said that Angola, Botswana, the Congo, Equatorial Guinea and Lesotho had been endorsed by the Group of African States; Indonesia, Japan, Lebanon and Saudi Arabia had been endorsed by the Group of Asian States; Armenia and Montenegro had been endorsed by the Group of Eastern European States; Brazil, El Salvador, Mexico and Nicaragua had been endorsed by the Group of Latin American and Caribbean States; and Belgium, Germany, Italy and Spain had been endorsed by the Group of Western European and Other States.

40. **The President** said that, since the number of candidates from each regional group was equal to or less than the number of vacancies to be filled by each group, he took it that the Council wished to elect by acclamation the candidates proposed.

41. *It was so decided.*

42. *Angola, Armenia, Belgium, Botswana, Brazil, the Congo, El Salvador, Equatorial Guinea, Germany, Indonesia, Italy, Japan, Lebanon, Lesotho, Mexico, Montenegro, Nicaragua, Saudi Arabia and Spain were elected members of the Commission on Sustainable Development.*

43. **The President** said that, in the absence of any other candidates for election to the Commission on Sustainable Development, he took it that the Council wished to postpone the election of one member from the Group of Western European and Other States for a three-year term beginning at the first meeting of the Commission's twentieth session and expiring at the close of its twenty-second session in 2014.

44. *It was so decided.*

Commission on Science and Technology for Development (E/2010/9)

45. **The President** invited the Council to elect 23 members to the Commission on Science and Technology for Development for a four-year term beginning on 1 January 2011.

46. **Ms. de Laurentis** (Secretary of the Council) said that Lesotho, Mauritius, Rwanda, Togo, Tunisia and the United Republic of Tanzania had been endorsed by the Group of African States; China, India and Islamic Republic of Iran had been endorsed by the Group of Asian States, and the Philippines was a non-endorsed candidate from the Group of Asian States; Latvia had been endorsed by the Group of Eastern European States; Cuba, the Dominican Republic, El Salvador and Peru had been endorsed by the Group of Latin American and Caribbean States; and the United States of America had been endorsed by the Group of Western European and Other States.

47. **The President** said that, since the number of candidates from all regional groups was equal to or less than the number of vacancies, he took it that the

Council wished to elect the proposed candidates by acclamation.

48. *It was so decided.*

49. *China, Cuba, the Dominican Republic, El Salvador, India, the Islamic Republic of Iran, Latvia, Lesotho, Mauritius, Peru, the Philippines, Rwanda, Togo, Tunisia, the United Republic of Tanzania and the United States of America were elected members of the Commission on Science and Technology for Development.*

50. **The President** said that, in the absence of any other candidates for the Commission on Science and Technology for Development, he took it that the Council wished to postpone the election of one member from the Group of Asian States, two members from the Group of Eastern European States and four members from the Western European and Other States for a four-year term beginning on 1 January 2011.

51. *It was so decided.*

Committee for Programme and Coordination
(E/2010/9/Add.1)

52. **The President** invited the Council to nominate seven members for election by the General Assembly to the Committee for Programme and Coordination for a three-year term beginning on 1 January 2011.

53. **Ms. de Laurentis** (Secretary of the Council) said that Algeria, Benin and Eritrea had been endorsed by the Group of African States; China and the Republic of Korea were the non-endorsed candidates from the Group of Asian States; and Antigua and Barbuda had been endorsed by the Group of Latin American and Caribbean States.

54. **The President** said that, since the number of candidates from each regional group was equal to or less than the number of vacancies to be filled by each group, he took it that the Council wished to nominate the candidates proposed.

55. *It was so decided.*

56. *Algeria, Antigua and Barbuda, Benin, China, Eritrea and the Republic of Korea were nominated for election by the General Assembly to the Committee for Programme and Coordination.*

57. **The President** said that, in the absence of any other candidates for election to the Committee for Programme and Coordination, he took it that the Council wished to postpone the nomination of one member from the Group of Asian States for election by the General Assembly to the Committee for Programme and Coordination for a three-year term beginning on 1 January 2011.

58. *It was so decided.*

59. **The President** recalled that there were still four outstanding vacancies on the Committee for Programme and Coordination to be filled by the Group of Western European and Other States, three for a term expiring on 31 December 2011 and one for a term expiring on 31 December 2012. No nominees had been proposed.

Committee on Non-Governmental Organizations
(E/2010/9/Add.2)

60. **The President** invited the Council to elect 19 members to the Committee on Non-Governmental Organizations for a four-year term beginning on 1 January 2011.

61. **Ms. de Laurentis** (Secretary of the Council) said that Burundi, Morocco, Mozambique, Senegal and the Sudan had been endorsed by the Group of African States; China, India, Kyrgyzstan and Pakistan had been endorsed by the Group of Asian States; Bulgaria and the Russian Federation had been endorsed by the Group of Eastern European States; Cuba, Nicaragua, Peru and Venezuela (Bolivarian Republic of) had been endorsed by the Group of Latin American and Caribbean States; and Belgium, Israel, Turkey and the United States of America had been endorsed by the Group of Western European and Other States.

62. **The President** said that, since the number of candidates from all regional groups was equal to the number of vacancies for each group, he took it that the Council wished to elect by acclamation the candidates proposed.

63. *It was so decided.*

64. *Belgium, Bulgaria, Burundi, China, Cuba, India, Israel, Kyrgyzstan, Morocco, Mozambique, Nicaragua, Pakistan, Peru, the Russian Federation, Senegal, the Sudan, Turkey, the United States of America and Venezuela (Bolivarian Republic of) were elected members of the Committee on Non-Governmental Organizations.*

Committee of Experts on the Transport of Dangerous Goods and on the Globally Harmonized System of Classification and Labelling of Chemicals
(E/2010/9/Add.13)

65. **The President** drew attention to document E/2010/9/Add.13 regarding applications for membership by Switzerland in the Subcommittee of Experts on the Transport of Dangerous Goods and by the Russian Federation in the Subcommittee of Experts on the Globally Harmonized System of Classification and Labelling of Chemicals, which had been approved by the Secretary-General. He took it that the Council wished to endorse the Secretary-General's decision to approve the applications of Switzerland and the Russian Federation.

66. *It was so decided.*

Executive Board of the United Nations Children's Fund
(E/2010/9/Add.3)

67. **The President** invited the Council to elect 11 members to the Executive Board of the United Nations Children's Fund for a three-year term beginning on 1 January 2011.

68. **Ms. de Laurentis** (Secretary of the Council) said that Namibia had been endorsed by the Group of African States; China and Indonesia had been endorsed by the Group of Asian States; Estonia and the Russian Federation had been endorsed by the Group of Eastern European States; Antigua and Barbuda and Colombia had been endorsed by the Group of Latin American and Caribbean States; and Italy, the Netherlands, New Zealand and the United Kingdom of Great Britain and Northern Ireland had been endorsed by the Group of Western European and Other States.

69. **The President** said that, since the number of candidates from each regional group was equal to the number of vacancies to be filled by each group, he took it that the Council wished to elect by acclamation the candidates proposed.

70. *It was so decided.*

71. *Antigua and Barbuda, China, Colombia, Estonia, Indonesia, Italy, Namibia, the Netherlands, New Zealand, the Russian Federation and the United Kingdom of Great Britain and Northern Ireland were elected to the Executive Board of the United Nations Children's Fund.*

72. **The President** said the Council had been informed that Iceland, Norway, Switzerland, Ireland and Luxembourg were resigning their seats on the Executive Board of the United Nations Children's Fund, effective 1 January 2011. Japan, Belgium, Spain, Germany and Sweden, respectively, had been endorsed, to complete the terms of office of Iceland, Norway, Switzerland, Ireland and Luxembourg. He took it that the Council wished to elect by acclamation Japan, Belgium, Spain, Germany and Sweden to the Executive Board of the United Nations Children's Fund.

73. *It was so decided.*

74. *Belgium, Germany, Japan, Spain, and Sweden were elected members of the Executive Board of the United Nations Children's Fund.*

Executive Committee of the Programme of the United Nations High Commissioner for Refugees

75. **The President** drew attention to resolution 64/128 of 18 December 2009, by which the General Assembly had decided to increase the number of members of the Executive Committee of the Programme of the United Nations High Commissioner for Refugees from 78 to 79 States and requested the Council to elect the additional members. Accordingly, he invited the Council to elect one State to fill the new seat.

76. **Ms. de Laurentis** (Secretary of the Council) said that the candidate was Slovenia.

77. **The President** said he took it that the Council wished to elect by acclamation the candidate proposed.

78. *It was so decided.*

79. *Slovenia was elected a member of the Executive Committee of the Programme of the United Nations High Commissioner for Refugees.*

Executive Board of the United Nations Development Programme/United Nations Population Fund
(E/2010/9/Add.4)

80. **The President** invited the Council to elect 11 members to the Executive Board of the United Nations Development Programme/United Nations Population Fund for a three-year term beginning on 1 January 2011.

81. **Ms. de Laurentis** (Secretary of the Council) said that Belarus and the Czech Republic had been endorsed

by the Group of Eastern European States; Argentina and El Salvador had been endorsed by the Group of Latin American and Caribbean States; Canada, Finland, Luxembourg and the United States had been endorsed by the Group of Western European and Other States; and Bangladesh, China and the Philippines were the non-endorsed candidates from the Group of Asian States.

82. **Mr. Lima** (Observer for Cape Verde), nominated Djibouti on behalf of the Group of African States.

83. **The President** said that, since the number of candidates from the Eastern European States, the Latin American and Caribbean States and the Western European and other States was equal to the number of vacancies to be filled by each group, he took it that the Council wished to elect by acclamation the candidates proposed.

84. *It was so decided.*

85. *Belarus, Canada, the Czech Republic, Djibouti, El Salvador, Finland, Luxembourg and the United States of America were elected members of the Executive Board of the United Nations Development Programme/United Nations Population Fund.*

86. **The President** invited the Council to elect by secret ballot two members from the Group of Asian States.

87. *At the invitation of the President, Mr. Prüfer (Germany) and Mr. Toba (Brazil) acted as tellers.*

88. *A vote was taken by secret ballot.*

Number of ballot papers:	53
Number of valid ballots:	53
Number of members voting:	53
Required majority:	27
Number of votes obtained:	
China:	41
Bangladesh:	39
Philippines:	15
Republic of Korea:	8

89. *China and Bangladesh were elected members of the Executive Board of the United Nations Development Programme/United Nations Population Fund.*

90. **The President** said the Council had been informed that Austria, Belgium, France, Spain and Slovenia were resigning their seats on the Executive Board of the United Nations Development Programme/United Nations Population Fund effective 1 January 2011. Denmark and Germany had been endorsed to complete the terms of Austria and Belgium, respectively, which were due to expire on 31 December 2011; Estonia, Ireland and Italy had been endorsed to complete the terms of France, Spain, and Slovenia, respectively, which were due to expire on 31 December 2012. He took it that the Council wished to elect by acclamation Denmark, Estonia, Germany, Ireland and Italy to the Executive Board of the United Nations Development Programme/United Nations Population Fund.

91. *It was so decided.*

92. *Austria, Belgium, Estonia, Ireland and Italy were elected members of the Executive Board of the United Nations Development Programme/United Nations Population Fund.*

Executive Board of the World Food Programme
(E/2010/9/Add.5)

93. **The President** invited the Council to elect six members to the Executive Board of the World Food Programme for a three-year term beginning on 1 January 2011.

94. **Ms. de Laurentis** (Secretary of the Council) said that Morocco and the Sudan had been endorsed by the Group of African States; the Republic of Korea had been endorsed by the Group of Asian States; Cuba had been endorsed by the Group of Latin American and Caribbean States; and Australia and Norway had been endorsed by the Group of Western European and Other States.

95. **The President** said that, since the number of candidates from the regional groups was equal to the number of vacancies for each group, he took it that the Council wished to elect by acclamation the candidates proposed.

96. *It was so decided.*

97. *Australia, Cuba, Morocco, Norway, the Republic of Korea and the Sudan were elected members of the Executive Board of the World Food Programme.*

98. **The President** said the Council had been informed that Luxembourg was resigning its seat on the Executive Board of the World Food Programme effective 1 January 2011. Spain had been nominated to

complete the term of office of Luxembourg, which was due to expire on 31 December 2012. He took it that the Council wished to elect by acclamation Spain to the Executive Board of the Executive Board of the World Food Programme for the aforementioned term of office.

99. *It was so decided.*

100. *Spain was elected a member of the Executive Board of the World Food Programme.*

Programme Coordinating Board of the Joint United Nations Programme on HIV/AIDS (E/2010/9/Add.6)

101. **The President** invited the Council to elect eight members to the Programme Coordinating Board of the Joint United Nations Programme on HIV/AIDS for a three-year term beginning on 1 January 2011.

102. **Ms. de Laurentis** (Secretary of the Council) said that Egypt and Djibouti had been endorsed by the Group of African States; Bangladesh had been endorsed by the Group of Asian States; the Russian Federation had been endorsed by the Group of Eastern European States; Mexico had been endorsed by the Group of Latin American and Caribbean States; and Monaco had been endorsed by the Group of Western European and Other States. India was the non-endorsed candidate of the Group of Asian States and the United States of America was the non-endorsed candidate of the Group of Western European and Other States.

103. **The President** said that, since the number of candidates from the regional groups was equal to the number of vacancies for each group, he took it that the Council wished to elect by acclamation the candidates proposed.

104. *It was so decided.*

105. *Bangladesh, Djibouti, Egypt, India, Mexico, Monaco, the Russian Federation and the United States of America were elected members of the Programme Coordinating Board of the Joint United Nations Programme on HIV/AIDS.*

106. **The President** invited the Council to elect a member of the Group of African States to the Programme Coordinating Board of the Joint United Nations Programme on HIV/AIDS to fill an outstanding vacancy for a term beginning on the date of the election and expiring on 31 December 2012.

107. **Ms. de Laurentis** (Secretary of the Council) said that Togo had been endorsed by the Group of African States.

108. **The President** said he took it that the Council wished to elect by acclamation the candidate proposed.

109. *It was so decided.*

110. *Togo was elected a member of the Programme Coordinating Board of the Joint United Nations Programme on HIV/AIDS.*

111. **The President** said the Council had been informed that Turkey was resigning its seat on the Programme Coordinating Board of the Joint United Nations Programme on HIV/AIDS, effective 1 January 2011. Canada had been endorsed to complete the term of office of Turkey, which was due to expire on 31 December 2011. He took it that the Council wished to elect by acclamation Canada to the Programme Coordinating Board of the Joint United Nations Programme on HIV/AIDS for the aforementioned term of office.

112. *It was so decided.*

113. *Canada was elected a member of the Programme Coordinating Board of the Joint United Nations Programme on HIV/AIDS.*

Governing Council of the United Nations Human Settlements Programme (UN-Habitat) (E/2010/9/Add.7)

114. **The President** invited the Council to elect 20 members to the Governing Council of the United Nations Human Settlements Programme (UN-Habitat) for a four-year term beginning on 1 January 2011.

115. **Ms. de Laurentis** (Secretary of the Council) said that Algeria, the Central African Republic, Gabon, Mali, Mozambique and Nigeria had been endorsed by the Group of African States; Indonesia, Iran (Islamic Republic of), Japan and Pakistan had been endorsed by the Group of Asian States; Albania and the Russian Federation had been endorsed by the Group of Eastern European States; Argentina and Venezuela (Bolivarian Republic of) had been endorsed by the Group of Latin American and Caribbean States; and the United States of America had been endorsed by the Group of Western European and Other States.

116. **The President** said that, since the number of candidates from the regional groups was equal to or less than the number of vacancies for each group, he

took it that the Council wished to elect by acclamation the candidates proposed.

117. *It was so decided.*

118. *Albania, Algeria, Argentina, the Central African Republic, Gabon, Indonesia, Iran (Islamic Republic of), Japan, Mali, Mozambique, Nigeria, Pakistan, the Russian Federation, the United States of America, Venezuela (Bolivarian Republic of) were elected members of the Governing Council of the United Nations Human Settlements Programme (UN-Habitat).*

119. *It was so decided.*

120. **The President** said that, in the absence of any other candidates for the Governing Council of the United Nations Human Settlements Programme (UN-Habitat), he took it that the Council wished to postpone the election of two members from the Group of Latin American and Caribbean States and three members from the Group of Western European and Other States for a four-year term beginning on 1 January 2011.

121. *It was so decided.*

122. **The President** recalled that there were still four outstanding vacancies on the Governing Council of the United Nations Human Settlements Programme (UN-Habitat) to be filled by the Western European and Other States, two to expire on 31 December 2011 and two to expire on 31 December 2012.

Committee on Economic, Social and Cultural Rights (E/2010/9/Add.10 and Add.11)

123. **The President** invited the Council to elect nine members to the Committee on Economic, Social and Cultural Rights.

124. **Ms. de Laurentis** (Secretary of the Council) said that Mr. Clement Atangana (Cameroon), Mr. Azzouz Kerdoun (Algeria) and Mr. Marc Somda (Burkina Faso) had been nominated by the Group of African States; Ms. Virginia Bonoan-Dandan (Philippines), Mr. Chandrashekhar Dasgupta (India), Mr. Heisoo Shin (Republic of Korea) and Mr. Dhari Rasheed Yassin (Iraq) had been nominated by the Group of Asian States; and Mr. Aslan Abashidze (Russian Federation) had been endorsed by the Group of Eastern European States.

125. **The President** said that, since the number of candidates from the Eastern European States was equal to the number of vacancies for that group, he took it that the Council wished to elect by acclamation the candidate proposed.

126. *It was so decided.*

127. *Mr. Aslan Abashidze (Russian Federation) was elected a member of the Committee on Economic, Social and Cultural Rights.*

128. **The President** invited the Council to elect by secret ballot two members from the Group of African States.

129. *At the invitation of the President, Ms. Popovici (Moldova) and Ms. Taracena (Guatemala) acted as tellers.*

130. *A vote was taken by secret ballot.*

Number of ballot papers:	54
Number of valid ballots:	53
Number of members voting:	53
Required majority:	27
Number of votes obtained:	
Mr. Clément Atangana (Cameroon)	44
Mr. Azzouz Kerdoun (Algeria)	30
Mr. Marc Somda (Burkina Faso)	27

131. *Mr. Clement Atangana (Cameroon) and Mr. Azzouz Kerdoun (Algeria) were elected as members of the Committee on Economic, Social and Cultural Rights.*

132. **The President** invited the Council to elect by secret ballot two members from the Group of Asian States.

133. *At the invitation of the President, Ms. Popovici (Moldova) and Ms. Taracena (Guatemala) acted as tellers.*

134. *A vote was taken by secret ballot.*

Number of ballot papers:	53
Number of valid ballots:	52
Number of invalid ballots:	1
Number of members voting:	52
Required majority:	27
Number of votes obtained:	
Mr. Chandrashekhar Dasgupta (India)	41
Mr. Heisoo Shin (Republic of Korea)	38
Ms. Virginia Bonoan-Dandan (Philippines)	17
Mr. Dhari Rasheed Yassin (Iraq)	5

135. *Mr. Chandrashekhar Dasgupta (India) and Mr. Heisoo Shin (Republic of Korea) were elected as members of the Committee on Economic, Social and Cultural Rights.*

Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting

136. **The President** invited the Council to take action on outstanding vacancies remaining from previous elections to the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting.

137. **Ms. de Laurentis** (Secretary of the Council) said that the Niger had been endorsed by the Group of African States; Poland had been endorsed by the Group of Eastern European States; Saint Kitts and Nevis had been endorsed by the Group of Latin American and Caribbean States; and Portugal and France were, respectively, the endorsed and non-endorsed candidates of the Group of Western European and Other States.

138. **The President** said he took it that the Council wished to elect by acclamation France, the Niger, Portugal and Saint Kitts and Nevis for a term beginning on the date of election and expiring on 31 December 2011, and Poland for a term beginning on the date of election and expiring on 31 December 2012, to the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting.

139. *It was so decided.*

140. *France, the Niger, Portugal and Saint Kitts and Nevis were elected members of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting.*

141. **The President** said that, in the absence of any other candidates for the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting, he took it that the Council wished to postpone the election of three members from the Group of Latin American and Caribbean States and four members from the Group of Western European and Other States for a term beginning on the date of election and expiring on 31 December 2011, and the election of four members from the Group of Asian States and one member from the Group of Eastern European States for a term beginning on the date of election and expiring on 31 December 2012.

142. *It was so decided.*

Executive Board of the International Research and Training Institute for the Advancement of Women

143. **The President** invited the Council to consider outstanding vacancies on the Executive Board of the International Research and Training Institute for the Advancement of Women.

144. **Ms. Velichko** (Belarus) said that her country wished to be considered as a candidate for the Executive Board of the International Research and Training Institute for the Advancement of Women.

145. **Ms. de Laurentis** (Secretary of the Council) said that Benin and Djibouti had been endorsed by the Group of African States, while Slovakia had been endorsed by the Group of Eastern European States. Belarus was also a candidate from the Group of Eastern European States.

146. **The President** said that, since the number of candidates from each regional group was equal to or less than the number of vacancies for each group, he took it that the Council wished to elect by acclamation the candidates proposed for a term beginning on the date of election and expiring on 31 December 2012.

147. *It was so decided.*

148. *Belarus, Benin, Djibouti and Slovakia were elected members of the Executive Board of the International Research and Training Institute for the Advancement of Women.*

149. **The President** said that, in the absence of any other candidates for the Executive Board of the International Research and Training Institute for the Advancement of Women, he took it that the Council wished to postpone the election of two members from the Group of Asian States and two members from the Group of Western European and Other States for a term beginning on the date of election and expiring on 31 December 2012.

150. *It was so decided.*

The meeting rose at 12.10 p.m.